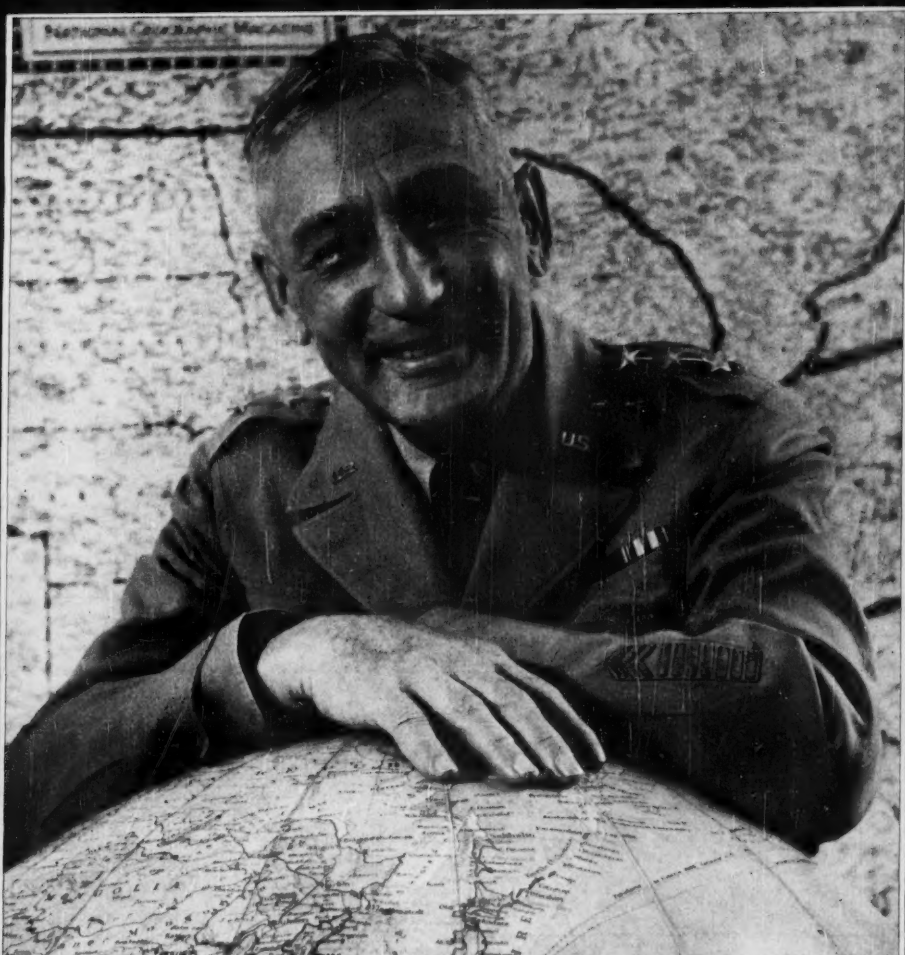
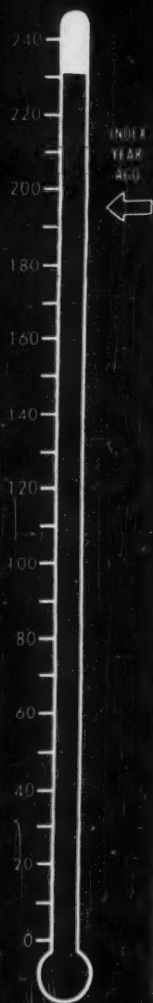


BUSINESS WEEK

Retail Sales
THE LAST SPLURGE
(PAGE 19)



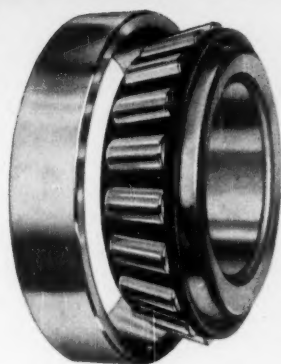
Lt.-Gen. Thomas B. Larkin: Arming half a world is a complex job (page 26)

A MCGRAW HILL PUBLICATION

JAN. 6, 1951

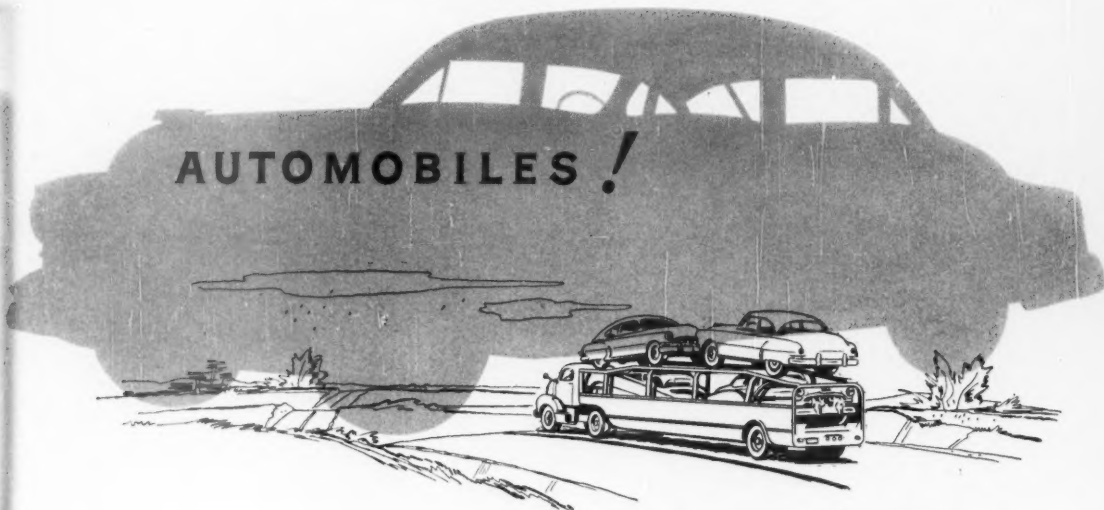
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BEARINGS



THE *BETTER* YOUR

AUTOMOBILES!



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ROLLER BEARINGS





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For years every ounce of rubber was gathered by natives from millions of tropical rubber trees. But now—thanks to amazing scientific progress—synthetic plants occupying a few city blocks produce as much rubber as thousands of tropical acres!

Even more wonderful, from the giant spheres of these plants come *new and different kinds* of rubber for improved products.

Synthetic and natural rubber is used to make 50,000 different products . . . from surgeons' gloves to shock absorbers.

The rubber industry is hard at work developing new products. Thousands of homes will be heated electrically by concealed radiant panels of rubber . . . rubberized streets for longer wear and greater safety are being tested. Some in the industry even foresee a day when automobile tires will last as long as the car on which they are delivered!

The rubber industry's unceasing search for new and better products, at lower costs, is typical of progressive American industry.

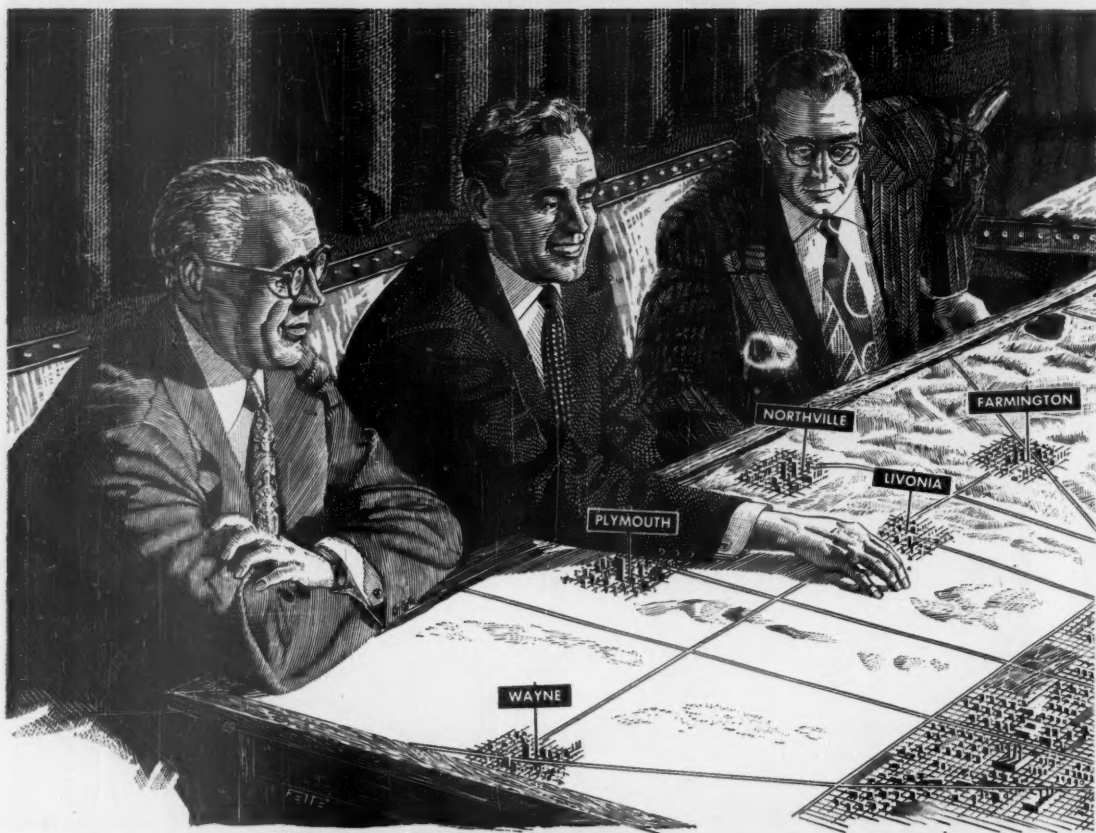
America's continued progress and the welfare of its people rest largely on our free business system — free competition between privately managed companies which challenge men for ideas, initiative and ingenuity.

BANKERS TRUST COMPANY

NEW YORK

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION





Dynamic Detroit has MIGHTY GOOD

All around Detroit are the cities and villages of Oakland, Macomb and Wayne counties—closest-in communities of *Out-state Michigan*.

Among these towns you may find just the right place for your new factory or distributing headquarters . . . just the right sub-contractor to help meet your schedules . . . just the right place to work and live.

In this three-county area are towns of all sizes. Populations range from a few hundred to metropolitan Pontiac's 100,000. All are within an hour's drive of downtown Detroit, many of them much closer. What an ideal location for a manufacturer or processor whose market lies with the great industries of Detroit or the Midwest!

But the area has great industries of its own. Pontiac is the home of the Pontiac automobile and of the GMC Truck and Coach Division. It manufactures automo-

bile parts and accessories, rubber moulded products, paints and varnishes, iron and steel products, motor bicycles. Elsewhere in the area are great industrial plants producing chemical products, tractors, pottery, electric ironers, air rifles and a wide variety of other articles.

Mt. Clemens is a famous health resort but it is a busy manufacturing center also, and a world leader in the production of roses. Royal Oak, Ferndale, Hazel Park—each has outstanding advantages for industry, and so have Plymouth, Farmington, Northville, Wayne, Clawson and most of the other communities indicated in the illustration.

These are fine towns for living, too. The country around Detroit includes some of the loveliest in Michigan. Amid the rolling hills lie hundreds of beautiful lakes. Hardwood trees grow in profusion, and

in autumn the countryside is ablaze with color. Scattered among the lakes and groves and fertile farms are dozens of golf courses, including some of America's best. Hunting, fishing, sailing, horse racing, tennis, polo—whatever your sport, you'll find exceptional opportunities to enjoy it here.

Public and private schools rank high, and within an hour or two are outstanding colleges and universities including Wayne, University of Detroit, Lawrence Institute of Technology, Marygrove, Michigan State and the University of Michigan. Bloomfield Hills has the Cranbrook Foundation with its celebrated educational and cultural institutions. The magnificent General Motors Technical Center is developing in Macomb County.

Small wonder that thousands of Detroit's wealthier citizens live in such residential suburbs as Birmingham and Bloom-

N-13-BW

FOR FURTHER INFORMATION WRITE **Industrial Development Department**



Shading shows Consumers Power Company's entire service area. Communities indicated above are in the fast-growing Southeast Division



field Hills. And small wonder that several thousand people representing all income brackets and every industrial skill have chosen to live in Oakland or Macomb or western Wayne County.

Dependable natural gas service is offered at attractive rates by Consumers Power Company, whose subsidiary, Michigan Gas Storage Company, helps make this possible by storing natural gas from the Southwest in one of America's greatest underground storage areas. A continuing construction program is making this service an even greater factor for good business and good living. In Pontiac, Consumers supplies electric service also. Elsewhere in the three-county area, electric service is by The Detroit Edison Company, a leader in its field.

May we tell you more about the towns of these three counties?

Check These Advantages of Outstate Michigan

- ★ Exceptionally High Percentage of Skilled Workers ★ In the Great Market Center of America ★ Wide Range of Materials, Parts and Supplies
- ★ No State Income Tax ★ Desirable Plants and Plant Sites
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CONSUMERS POWER COMPANY, Jackson, Michigan

New MOBILIFT Tier-Master

GIVES YOU 117" Lift WITH 72" OVERALL HEIGHT

This Lev-R-Matic Drive Fork Lift Truck Easily Enters Truck Bodies & Low Clearance Doors...Yet Tiers 3 Pallets High!

The Tier-Master's telescoping uprights actually lift 117" from FLOOR-to-FORKS from an overall collapsed height of only 72".

Tier-Masters in your operation will save you time and money... Let a MOBILIFT consultant give you all the cost-slashing facts!



Left, operator using Tier-Master, moving 3rd-high pallet of sugar and above, with mast lowered entering truck with the same Mobilift and same load.

MODEL "E" TIER-MASTER: 2,000 lb. cap. with 72" Mast (Free Lift: 47"; Mast Ht. extended: 142") outside turning radius: 57".

WRITE TODAY for Complete Specifications on the New Mobilift Lev-R-Matic Drive "Tier-Master".



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BUSINESS WEEK • Jan. 6, 1951



Big enough for the job

We live in a big country and it takes a big telephone system to give good service to millions of people.

The Bell System is equipped to handle today's more important job because it has never stopped growing. It has kept right on building to make service better and provide more of it.

Times like these emphasize the bene-

fits of such growth and the value of a strong, healthy telephone company to serve the Nation's needs.

The Bell System aims to be big in more than size.

It aims to be big in the conduct of the business—in its plans for the future—in doing its full part in helping to keep America secure.

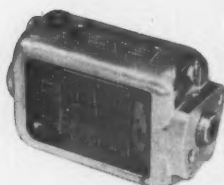
BELL TELEPHONE SYSTEM



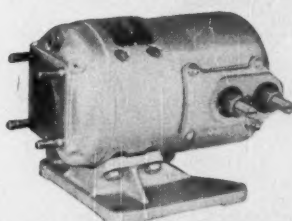
Top Performance..

an end result of
special engineering in

Lamb Electric
SPECIAL APPLICATION
FRACTIONAL HORSEPOWER **MOTORS**



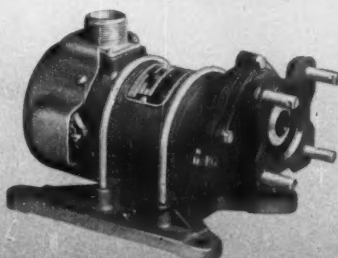
Motor having substantial power output for computing machines and other types of motor-driven office equipment.



Motor with high horsepower to low weight factor for either direct drive or use with external gear reduction.



Universal motor parts for portable electric tools, garage equipment and other industrial devices.



Helical geared fuel transfer pump motor designed for aircraft but adaptable to many industrial uses.

Outstanding performance is standard with Lamb Electric Motors because they are specially engineered to provide the exact mechanical and electrical requirements for each product they drive. Consideration of a Lamb Electric special application motor—while your product is still in the design stage—may result in these further advantages: reduced product weight, compactness, improved appearance and lower cost.

We invite you to use our comprehensive engineering service to help obtain these results. The Lamb Electric Company, Kent, Ohio.

THEY'RE TEAMING UP WITH AMERICA'S *Finest* PRODUCTS

Lamb Electric
SPECIAL APPLICATION
FRACTIONAL HORSEPOWER **MOTORS**

Highlights In This Issue

Suspense Is Over

• Companies that have been holding their 1950 books open to see how deep the excess profits tax would bite now know. P. 21

Professors in Government

• Mobilization means more economists in Washington. A report on what the scholars were thinking about at their Chicago get-together. P. 24

Where We Stand

• An analysis of mobilization at the beginning of 1951—how far it has gone, how well it is working. P. 26

Marketers Year

• Nobody worries like a marketing man. This week a group of experts take a look at what's ahead—and come up with some surprising and some comforting conclusions. P. 63

Stock Market Paradox

• What industry shows the best earnings ever, better prospects for the future than you'd think—and a wretched stock market performance? P. 86

Munitions Boobytrap

• If you are doing government business for the first time, watch out for the Walsh-Healey Act. P. 98

French Gamble

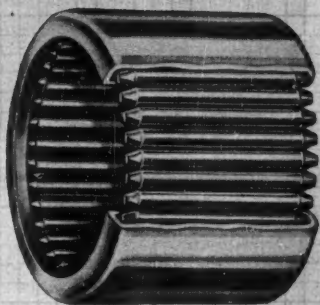
• Essentially, the North Atlantic Alliance is betting on France. Is it worth the gamble? P. 113

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in rugged service**



A full complement of small diameter rollers spread radial loads evenly over a large area, roll easily under the shock. This feature gives Torrington Needle Bearings a higher capacity in proportion to their size than any other anti-friction bearing, and assures long, satisfactory service life in the toughest applications.

Let our engineers help you build greater staying power into your products with Torrington Needle Bearings.

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Comfort? Sure

...and we've *proved*
it pays off

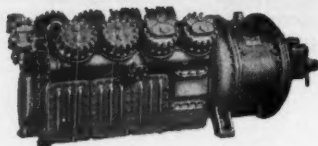


Putting *Air* to work...

... proves itself in dollars and cents to businessmen who invest in Westinghouse Air Conditioning. Whether it is an office, store, or plant, people do more and better work when they are comfortable. Absenteeism drops, and labor turn-over is lessened.

Westinghouse Air Conditioning makes production more efficient, too. Humidity and temperature control helps keep precision instruments and machinery in better adjustment, reduces corrosion and "sweating." To many industries, it means a more uniform product, cutting rejects and spoilage losses.

The entire range of Westinghouse Air Conditioning—from self-contained units to engineered systems—is known for the economical, trouble-free service of its *hermetically-sealed* compressor. The first of its kind ever to be used in air conditioning, this compressor is your greatest single guarantee of Westinghouse dependability. For full information, call the Westinghouse Distributor listed in your Classified Telephone Directory, or write to Westinghouse Electric Corporation, Sturtevant Division, Hyde Park, Boston 36, Massachusetts.



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YOU CAN BE SURE...IF IT'S

Westinghouse

BUSINESS OUTLOOK

BUSINESS WEEK

JANUARY 6, 1951



You can look for bigger and better doses of inflation.

The danger of runaway price rises keeps edging closer and closer. Government actions taken so far will, at best, only slow them temporarily.

And apparently the government will settle for a "creeping" rise in the price level—just so long as it doesn't become a "galloping" inflation.

The Federal Reserve Board's order increasing the reserve requirements for member banks is heralded as a meat-axe approach to the delicate mechanisms of the money market.

But something was needed. At the end of December, business loans were up \$4-billion over a year ago—a rise of 30%.

In order to slow down lending, the Federal Reserve upped the amount that member banks have to keep in reserve. That's supposed to siphon off about \$2-billion from the banks and put a damper on loans.

There's only one catch: The Federal Reserve is still pretty deeply committed to support the price of government bonds. That means buying any and all of the bonds the banks want to cash. So if the banks still want to sell bonds to raise money for lending, there is no real check.

The money supply (an inflationary potential), as represented by bank deposits, is rising again. This is largely due to bank loans to business.

Then there also is the rapidity with which checks are drawn—"turn-over" in the jargon of the financial experts.

Ever since midyear, "check money" has been turning over at extremely high rates. The week before Christmas—normally the high for the year—set a new peak 15% above the same week the year before.

Meanwhile, prices continue their mad dash with no sign of any letup.

The wholesale price index keeps setting one new top after another, week by week. And wholesale farm prices, which were rising only slowly for months, have once again joined the parade. That spells trouble from labor.

With food costs making up about 40% of the cost of living, the Bureau of Labor's consumer price index is due for a further boost.

Forecasts of steadily growing plant expansion (page 20) are fully borne out by the figures on machine tools.

New orders for such metal-working equipment stood at 292.7% of the 1945-47 average in November. That fell a shade short of reaching the towering level of last August. However, it is the second best month since back in the reconversion days at the close of World War II.

You can begin to see arms production spread, company by company.

But not all contractors are cutting civilian output at the same time. Servel says it will not cut on household refrigerators and other products excepting as materials force it to. But it has a war job.

The company is preparing to take up where it left off—building wings for Republic Aviation. This time, the wings will be for F-84 jets.

And National Radiator, although expecting home heating sales to slump as much as 35% this year, sees no decline in its own shipments. This concern expects to be allocating from 30% to 40% of its output to the military.

A lot of appliance and auto people, however, are being pinched back

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK

JANUARY 6, 1951

by materials—whether they have compensating arms contracts or not.

Defense priorities are cutting very unevenly across the ranks of raw materials producers.

Two Pittsburgh steelmakers tell Business Week their DO business is "very small—less than 5%."

Yet a third—prominent in alloys and specialties—is putting more than 25% of its output into DO orders already. Its steels are in demand for tooling for arms as well as for making the arms themselves.

Electric utilities already are talking about having to put some of their smaller expansion projects on the shelf—unless they can get "essential civilian" allotments of materials.

One company tells of calling off 35 specific jobs.

"New customers will suffer most," executives say. "But service isn't going to get any better for old customers, either."

There's no slump in sight for railway freight early in the New Year.

Of course, comparisons now are with months last year when recovery hadn't hit full stride. But the prospective gains are sharp enough to carry a good deal of weight even so.

Take the area of the Atlantic States Shippers Advisory Board—New York, New Jersey, eastern Pennsylvania, Maryland, and Virginia.

This board expects a gain of 13.9% in first-quarter freight traffic over a year ago. That's 966,328 carloads against 848,188.

And all except 9 of 59 types of freight are expected to be up. As might be expected, several of the declines are in automotive.

Talk in both World Wars often has turned to "closing down all the commodity futures markets." But nothing so sweeping has been necessary—although many were virtually knocked out by World War II's price ceilings.

And now, once again, talk turns to closings. Rubber will be the first casualty. Open contracts must be closed between now and March.

This caused rubber prices to fall after their long rise. But it also called attention to other things—say, tin—that could go the same way.

This year's sugar allotment of 8-million tons for domestic use is down from 8.7-million in 1950 (BW-Dec.30'50,p28).

Even so, it's a lot of sugar. In fact, the Dept. of Agriculture says there ought to be enough for all needs and some for inventory, too.

The trade isn't so sure. A leading sugar house, sometime ago, advised clients to buy fairly well ahead. And prices have been creeping up. Announcement of the new quota wasn't enough to roll them back.

Department store sales for the season—from Thanksgiving to Christmas—ran 7% ahead of a year earlier, about meeting expectations (page 19).

But that falls a good way short of moving the inventories on hand. These were a good 20% ahead of a year earlier (BW-Dec.16'50,p10).

You might think store people would be nervous. But they aren't.

In fact, rather than big clearances, the stores are looking for more merchandise. Buyers are avid, are contracting far ahead.

Finest printing costs less
for Sears, Roebuck and Co.



...thanks to the revolutionary economy
of *Consolidated* Enamel Papers

Among the most significant changes in Sears' latest catalogs is a great increase in the number of pages now printed in rich full-color.

Naturally these color pages cost more. But Sears' actual sales records prove that this finer printing usually pays off by producing sales at lower cost-per-unit than ordinary pages for the same merchandise.

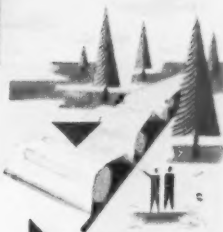
One of the factors that has helped make this unusual cost ratio possible is Sears' use of Consolidated Enamel Papers. Thanks to the revolutionary method by which they

are made, Consolidated Enamels provide the high quality and printing excellence essential to fine color reproduction at prices that average 15 to 25% below those of premium-priced papers produced by old style enameling methods.

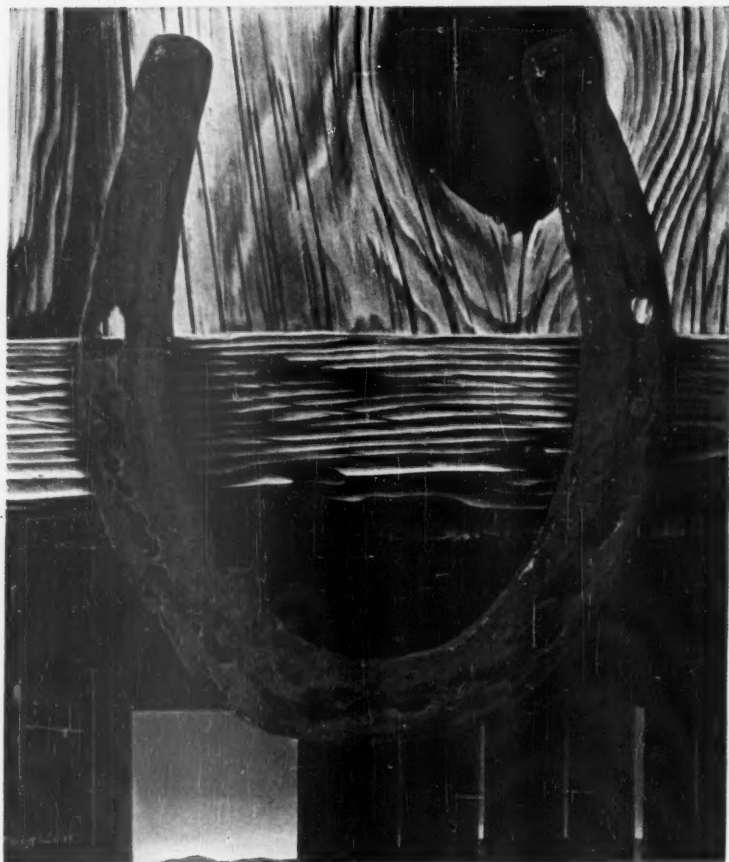
For Sears, this means a saving of many thousands of dollars annually. Some of our smaller users save only a few hundred. But whatever the size of your printing needs, it will pay you to learn how Consolidated Enamel Papers do the finest jobs for less.

***Consolidated* ENAMEL PAPERS**

CONSOLIDATED WATER POWER & PAPER COMPANY • Makers of Consoweld—decorative and industrial laminates
Main Offices: Wisconsin Rapids, Wisconsin • Sales Offices: 135 So. La Salle St., Chicago 3, Illinois © C. W. P. & P. Co.



Finest enamel paper quality at lower cost is the direct result of the enameling method which Consolidated, pioneered. Operating as a part of the papermaking machine, it eliminates many costly steps still required by other papermakers—producing highest quality paper, simultaneously enameled on both sides, in a single high-speed operation.



Symbol of hard luck

THIS HORSESHOE is a symbol of something that *does not* happen to products made of aluminum.

For aluminum resists the corrosive deterioration due to weather and other causes.

This resistance to corrosion is an important reason why aluminum has succeeded other materials in hundreds of products. But it's *only one* reason...

For no other metal possesses aluminum's unique combination of advantages—among

which are lightness, strength, and permanent, maintenance-free beauty.

As a major supplier to manufacturers of the products shown at the right, and thousands of others, Kaiser Aluminum has built an outstanding reputation for quality and service.

Kaiser Aluminum is produced by Kaiser Aluminum & Chemical Corporation, Oakland, California. 53 sales offices and distributors in principal cities.

Kaiser Aluminum

A major producer in a growing industry



Less maintenance! No other material can match aluminum for boats. It resists salt water corrosion. Doesn't need painting. It's light, strong, and *keeps* its beauty. Good reasons to *insist* on aluminum!



More economy! Storage tanks and drums of aluminum mean long range economy: Aluminum resists corrosive deterioration of many chemicals; its light weight means lower shipping costs. Call Kaiser Aluminum engineers for help on your container problems!



Permanent beauty! Screens made of aluminum wire won't rust—won't stain your home. Last for years. Cost less. Be sure you get *aluminum* screening from your hardware or building supply dealer!

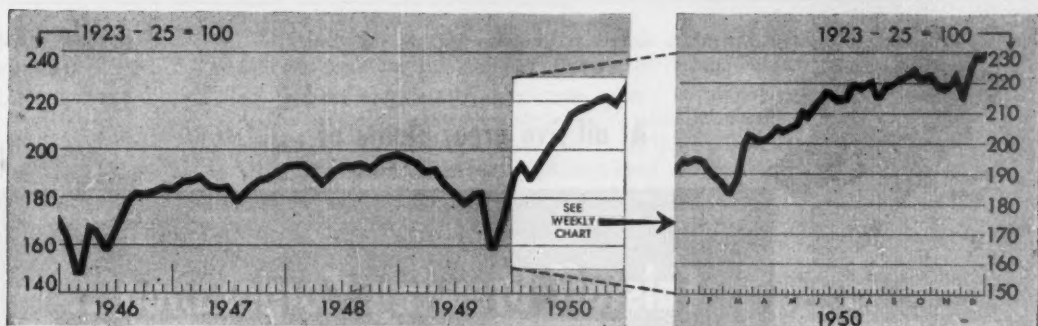


Longer life! No rust spots, no paint needed, with industrial buildings made of Kaiser Aluminum Roofing. It's light, strong, cooler because it reflects sun's heat. Ideal for farm buildings, too. Specify Kaiser Aluminum when you build!



More protection! Aluminum garbage cans and diaper hampers resist corrosion, *stay like new*. Easy to clean. Sanitary. Ask for *aluminum* when you buy!

FIGURES OF THE WEEK



Business Week Index (above)

\$ Latest Week	Preceding Week	Month Ago	Year Ago	1947 Average
*230.4	†229.4	218.0	192.6	162.2

PRODUCTION

Steel ingot operations (% of capacity).....	101.8	100.1	100.5	96.1	97.3
Production of automobiles and trucks.....	130,881	†160,912	152,107	113,026	98,236
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)....	\$47,563	\$61,940	\$51,969	\$30,236	\$19,433
Electric power output (million kilowatt-hours).....	6,479	7,033	6,716	5,493	3,130
Crude oil and condensate (daily average, 1,000 bbls.).....	5,768	5,763	5,825	4,996	3,842
Bituminous coal (daily average, 1,000 tons).....	1,827	†2,001	1,810	1,565	1,685

TRADE

Miscellaneous and L.c.l. carloadings (daily average, 1,000 cars).....	76	77	81	63	86
All other carloadings (daily average, 1,000 cars).....	49	51	58	40	52
Money in circulation (millions).....	\$27,916	\$27,929	\$27,543	\$27,765	\$9,613
Department store sales (change from same week of preceding year).....	+17%	+9%	-3%	+14%	+17%
Business failures (Dun & Bradstreet, number).....	125	174	160	109	228

PRICES (Average for the week)

Cost of Living (U. S. Bureau of Labor Statistics, 1935-1939 = 100), Nov. 175.6	174.8	168.6	105.2
Spot commodities, daily index (Moody's, Dec. 31, 1931 = 100).....	512.5	511.7	483.2	347.9	198.1
Industrial raw materials, daily index (U. S. BLS, Aug., 1939 = 100).....	357.0	353.8	337.1	222.9	138.5
Domestic farm products, daily index (U. S. BLS, Aug., 1939 = 100).....	387.1	382.8	361.3	297.9	146.6
Finished steel composite (Iron Age, lb.).....	4.131¢	4.131¢	4.131¢	3.837¢	2.396¢
Scrap steel composite (Iron Age, ton).....	\$45.09	\$45.13	\$40.75	\$26.25	\$19.48
Copper (electrolytic, Connecticut Valley, lb.).....	24.500¢	24.500¢	24.500¢	18.500¢	12.022¢
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$2.40	\$2.40	\$2.26	\$2.21	\$0.99
Sugar, daily price (raw, delivered New York, lb.).....	6.34¢	6.37¢	6.21¢	5.68¢	3.38¢
Cotton, daily price (middling, ten designated markets, lb.).....	43.47¢	43.20¢	42.25¢	30.70¢	13.94¢
Wool tops (Boston, lb.).....	\$3.70	\$3.50	\$3.35	\$2.00	\$1.41
Rubber, daily price (ribbed smoked sheets, New York, lb.).....	79.00¢	74.25¢	70.30¢	18.19¢	22.16¢

FINANCE

90 stocks, price index (Standard & Poor's Corp.).....	163.1	159.4	154.2	133.0	78.0
Medium grade corporate bond yield (Baa issues, Moody's).....	3.19%	3.19%	3.22%	3.26%	4.33%
High grade corporate bond yield (Aaa issues, Moody's).....	2.66%	2.66%	2.67%	2.58%	2.77%
Call loans renewal rate, N. Y. Stock Exchange (daily average).....	1½-1½%	1½-1½%	1½-1½%	1½-1½%	1.00%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate).....	1½%	1½%	1½-1½%	1½-1½%	1-1½%

BANKING (Millions of dollars)

Demand deposits adjusted, reporting member banks.....	51,672	51,770	50,546	48,253	††27,777
Total loans and investments, reporting member banks.....	71,834	†71,444	69,923	67,421	††32,309
Commercial and agricultural loans, reporting member banks.....	17,839	17,801	17,097	13,904	††6,963
Securities loans, reporting member banks.....	2,478	2,204	2,463	2,207	††1,038
U. S. gov't and gov't guaranteed obligations held, reporting member banks....	33,719	†33,854	32,984	37,469	††15,999
Other securities held, reporting member banks.....	6,516	†6,444	6,353	5,058	††4,303
Excess reserves, all member banks.....	790	930	720	837	5,290
Total federal reserve credit outstanding.....	21,720	21,864	20,501	19,379	2,265

*Preliminary, week ended Dec. 30.

††Estimate (BW—Jul. 12/47, p16).

(Date for "Latest Week" on each series on request.)

†Revised.

Plant 3
Omaha

Plant 1
St. Louis

Plant 2
St. Louis

Plant 5
St. Louis

Plant 4
New Orleans

At all five great plants of . . .

Falstaff Brewing Corporation...

as in buildings that set the pace
in every industry . . . you'll find
Jenkins Valves

In the brewing of Premium Quality Falstaff, Yesterday and Tomorrow meet. At five great plants — in St. Louis, Omaha, and New Orleans — Falstaff Brewing Corporation combines ancient brewing skills with the most modern brewing methods.

To produce, and maintain, the same "premium quality flavor" in different breweries is no small accomplishment. Falstaff employs not only the latest in scientific knowledge but, for absolute uniformity of product, the most dependable equipment modern engineering can devise. That is why Jenkins Valves are on the pipelines in all five Falstaff plants.

Modern brewery, super-airport, or skyscraper — wherever unfaltering efficiency and long service life are "musts" in operating equipment, you'll find Jenkins Valves. They have been the choice, consistently, of leading architects, engineers and contractors for the buildings which are shaping America's skyline of Tomorrow.

For Jenkins builds extra endurance into valves — proved by low upkeep cost records in every type of service. Yet, despite this extra value, *you pay no more* for Jenkins Valves.

For new installations, for all replacements, let the Jenkins Diamond be your guide to lasting valve economy. Jenkins Bros., 100 Park Ave., New York 17; Jenkins Bros., Ltd., Montreal.

Sold through leading Distributors everywhere

JENKINS
LOOK FOR THE DIAMOND MARK
VALVES



Jenkins Bros.

WASHINGTON OUTLOOK

WASHINGTON
BUREAU
JAN. 6, 1951



A fully regimented economy is almost a cinch, probably by mid-1951. Officials don't say this publicly. But all their plans point to it.

Timing and details of controls cannot be pinpointed, of course. One reason is that the military simply hasn't decided on what it wants. Another is that controls will be imposed partly on the basis of real need, partly to satisfy the public clamor that Washington "do something." Still, you can see the trend and take it into account in your planning.

Note the attitude in Congress. Money to start mobilization rolling, near \$50-billion, has been voted, and so have broad powers to regulate materials and fight inflation. And the effort in both parties is to make clear that defense delays, material snarls, and continuing inflation are Truman's and not Congress' fault.

This prods the mobilizers to put more steam under the military plans and to up-date controls. So does the bad news from Korea.

Mobilization boss Wilson is beginning to shake things up. His first actions this week are intended to take the kinks out of military procurement, straighten out the lines of authority in the economic control agencies, and make a start toward stabilization of wages and prices (page 28).

Stall price boosts for 30 days is the aim of DiSalle, Wilson's price boss. His plan: require businessmen to give him 30-days' notice of any coming boost in prices.

DiSalle is playing for time. He wants to set up his control machine before getting in very deep. The 30-days' notice will slow the spiral a bit and give him a breather. Moreover, the notices will show where prices are pushing up the hardest, thus provide a guide for choosing ceilings to slap on ahead of anything like an over-all freeze. Wage controls would follow. They are required with price ceilings.

Political heat for mandatory freezes is running high on Capitol Hill and DiSalle can't resist it for long. Here's what makes Congress stew:

Living costs, already at an all-time high, are still moving on up. And Congress' mail from home is heavy with complaints about it.

Defense costs are zooming, too. Prices paid by the military are up some 10%, on the average, with steeper rises on many service items: tires, 38%; boots, 42%; metals and chemicals, 30%; medical supplies, 34%.

Price rollbacks are threatened, of course. But as a practical matter they can't achieve very much, which means that increases which hit living costs and defense costs are in for the duration. The official talk is that major raw materials, metals for example, will be frozen within the next 60 days and that by midyear ceilings will apply to most of the important industrial and living cost items.

Material controls are being expanded and in a way that will hit hard at many manufacturers, especially small ones who can't convert easily. In the beginning, fabricators merely were told how much of a metal they

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
JAN. 6, 1951

could process for nondefense items and it was up to them to determine what they made from it. Now, control is shifting to end products.

Copper is an example (page 33). Not only is nondefense use being cut percentage-wise, but starting in March no copper at all can be used to make hundreds of items—mostly items where copper is used as trim.

Aluminum is next on the list. It will be barred from such things as window shades, building trim, ash trays, screens, etc.

A controlled materials plan, similar to the old CMP of World War II, is in the process of being worked out. It probably will be spring or summer before it is ready for operation. The government then will say precisely how materials in short supply will be divided, as between military and civilian needs, and then specify what they are to be used to produce.

Shortages of civilian goods will mount as material controls step up. Officials aren't certain as to how fast the shortages will develop or how acute they will become. But just about everything made of metal will be increasingly hard to get as the year wears on.

Autos: Loose estimates are that production in the first quarter will be off 20%-to-25% from last year, then drop lower later on.

Home appliances: Guesses here are that they will be comparable to those in autos, perhaps a little deeper.

Radio and TV: These will be hit much harder. The shortage of cobalt will be a severe limitation on production.

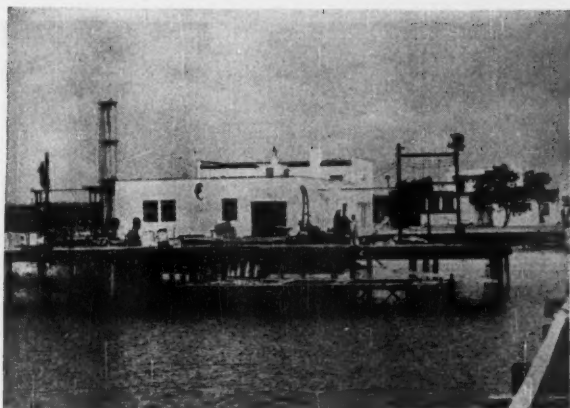
Construction: Later in the year you may have to get a permit to start a new store or office building. A license system is under study now, because officials think it may be necessary to make sure materials go to defense-needed plant expansions and to prevent a boom in nonessential building from soaking up manpower badly needed for arms making.

The budget for fiscal 1952, which starts July 1, will be tremendous. Figures aren't yet firm, but totals are shaping up along these lines:

Spending, \$70-to-\$75-billion. That will be up \$20-billion plus from estimates for this year. It will guarantee a real money push behind mobilization. If you add together appropriations and authorizations, you get a measure of commitments the government can make as distinguished from actual spending. That total may hit \$85-to-\$90-billion.

Taxes to meet the deficit, or come anywhere close, may have to go up by nearly \$15-billion. Such a slug is under consideration. But it may have to be trimmed. Congress will be reluctant to push the tax load up in such big steps, unless and until there's war with Russia.

Negotiations with Russia for talks on East-West differences are going ahead and a conference may be arranged. But at the State Dept. there's frank doubt of any understanding (page 111). The official position is that any peaceful settlement with Russia will take years and that meantime we must arm and be prepared to fight.



View of Harbor Island Laboratory and Testing Station.

New testing station provides expanded facilities for corrosion studies

During the past 15 years, the Atlantic Ocean at Kure Beach served as a giant test tube for studying attacks of sea water and salt air upon more than 35,000 specimens, including virtually all types of metals and alloys.

Storm damage to the basin, in which the underwater tests were conducted, compelled establishment of a new and protected testing station. Accordingly, some 15 miles north, on Harbor Island, the new Inco Marine Laboratory was built to provide expanded facilities and an even better "Ocean Test Tube."

This new Harbor Island station, along with the atmospheric test racks retained on the shore of Kure Beach, now widen the scope of cooperative enterprise for fighting industry's common enemy — *corrosion*.

The vast amount of valuable data accumulated over the years will continue to be made available to all industry, as well as to government agencies for whom and with whose cooperation much of the research has been undertaken. You are invited to consult us on your corrosion problems.



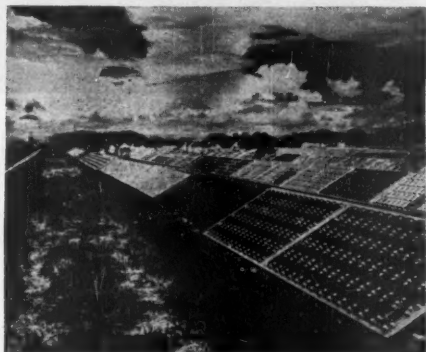
**THE INTERNATIONAL NICKEL COMPANY, INC. 67 WALL STREET
NEW YORK 5, N. Y.**



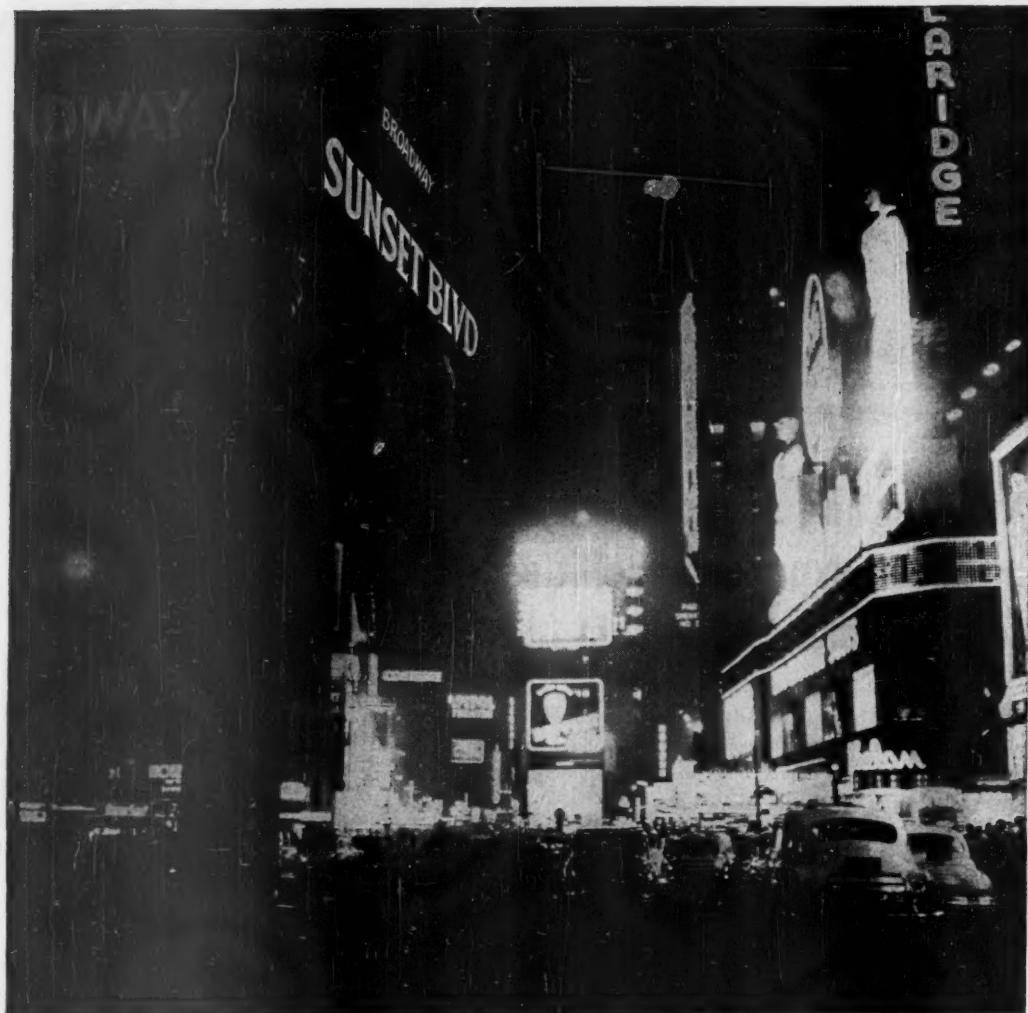
Lowering piling test specimens into place. Sea water is something more than a mixture of chemicals; its corrosive action over an extended period can be studied properly only by exposure of specimens to attack under natural conditions.



Running water troughs. For studying the action of sea water flowing at moderate velocities, specimens are immersed in the troughs, shown above. The total length of trough used for this purpose now amounts to about 600 feet.



Atmospheric and spray test lot. Shown above is part of the atmospheric test lot at Kure Beach in which over 20,000 specimens have been exposed, some for over nine years. The racks face south, and the specimens, supported on porcelain insulators, are all set at a slope of 30 degrees.



HOW DID SUNSET BLVD GET ON BROADWAY?

Everyone knows that it's hard to be in two places at the same time.

But recently, Paramount Pictures had to be in 387 places at once.

The release of their smash hit, "Sunset Boulevard," called for *simultaneous* openings in theatres on Broadways all over America. And although Gloria Swanson

is being mentioned for an Oscar, Paramount feels there ought to be a special award for a star not even mentioned in the cast.

That's Air Express!

Thanks to Air Express, Paramount could work on the cutting, editing and printing of this film up to the last minute — and still get there on time!

But, you don't have to be in the motion picture industry to profit from regular use of Air Express. Here are its unique advantages which any business can enjoy:

IT'S FASTEST — Air Express gives the fastest, most complete door-to-door pick up and delivery service in all cities and principal towns, *at no extra cost.*

IT'S MORE CONVENIENT — One call to Air Express Division, Railway Express Agency, does it all.

IT'S DEPENDABLE — Air Express provides one-carrier responsibility all the way and gets a *receipt upon delivery.*

IT'S PROFITABLE — Air Express expands profit-making opportunities in distribution and merchandising.

Like to know more? Call your local Air Express division of Railway Express Agency.





BARGAIN HUNTERS find slim pickings in post-holiday clearances. Stores say . . .

Nothing Left to Unload

Retailers generally rang up better Christmas sales than in 1949. Many had the best year yet. With prices on the way up, they say inventories are no more than comfortable.

The theme of the retailer this week was short but very sweet: "We made it." For almost everybody, 1950 was better than 1949. For a lot of merchants, it was the best year ever.

Federal Reserve Board figures tell the same story more precisely. During the four full weeks of the Christmas shopping season, nation-wide sales were 7% higher in dollar volume than they

were in the same four weeks in 1949. For the 51 weeks ended Dec. 23, they were 5% higher than for the same 1949 period.

• **Last Minute Rush**—Most places, it was the last hectic week that did it. Dollar sales for the week just before the holiday were up a handsome 17% over a year ago. That was enough to take the curse off the bad start in early

December when sales were dragging their feet.

The score on unit sales—physical volume—isn't complete. Most merchants think they did a little better in 1950 than in 1949 on a unit count; some are content to guess they did about as well; others admit their physical volume lagged a little.

• **Some Long Faces**—The size of the gains over 1949 wasn't always a sure measure of the cheering. Los Angeles, with a 5% gain in dollar volume over last Christmas, was still disappointed. Boston, with an advance of maybe 1.7%, was mopping its brow with relief. A few weeks ago, Boston retailers were dolefully prepared for the worst (BW-Dec. 9 '50, p. 20).

• **No Inventory Worries**—The direct result of the runaway finish is that loaded inventories are no longer a bugaboo. Most merchants say their stocks are somewhat higher than they usually are at the end of the year, but they are just as glad to have it that way. Hardly anyone says he's worried. Many insist their inventories are just right.

The normal proof of the inventory pudding is the January sale. Most stores are planning clearances as usual. But the important thing is that they are as usual—or maybe a little less so. Big clearances with markdowns designed to clean out the shop are few and far between.

There'll be the regular white sales; soiled and shopworn goods will come in for the ordinary markdowns. But, if anything, bargain hunters will find skimpier pickings than last year. Furs, women's clothes, toiletries are getting some push; television sets are in for big cuts in Boston, but a Richmond merchant summed up the general feeling: "We're not giving anything away, and neither is anybody else."

Some stores are even reluctant to push for volume just now. A Boston retailer is skimping on post-Christmas sales because a big inventory right now looks like a good investment to him. Some Atlanta merchants are skipping the sales entirely.

• **Still Available**—Reordering hasn't been much of a headache, yet. Hard lines are getting tight in Detroit; cigarette lighters, some watches and clocks are scarce in Birmingham. Several retailers admit they're reordering further ahead than usual—especially on appliances. One Chicago retailer says that normal commitments on order

might amount to a third of the stock on hand, but that commitments now run about two-thirds of stock. Still, many merchants say the hard lines are moving slowly, and they don't know what prices are going to do.

• **Regional Pattern**—A spot check of some of the leading cities shows how the picture shapes up:

In Atlanta, it was a "whale of a season," the best ever. Dollar and unit volume was up from 2% to 10% above 1949 for the season and as high as 13% ahead for the year. Seattle had another record breaker, with a 10% gain for the year, a 16% gain for the holiday. Cleveland is crowing. William Gray, of the Retail Credit Assn., says that in spite of high inventories and blizzards Christmas, 1950, was 10% ahead of 1949 and better than the banner 1948. Minneapolis reached new peaks on dollars and units. St. Louis did slightly better than it had expected; Richmond was amazed. Chicago was happy; more records were broken there. Detroit, which had been spotty, was agreeably surprised with a 10% gain in dollars for the Christmas period over the preceding year.

San Francisco was pretty well satisfied; dollars were up over 1949, units perhaps down a bit. But 1948 was still the banner year for most merchants there. Los Angeles showed a gain, but still felt let down that it wasn't bigger.

• **Orphan**—The one city that sent in a sorrowful minority report was Pittsburgh. First, there was the snowstorm that hit the day after Thanksgiving, practically closed the stores tight until the following Wednesday.

Worse yet was a 32-day strike of drivers for the three largest department stores, which ended only a few days before the big shopping season was over. A lot of people in labor-conscious Pittsburgh honored the picket lines. The ones who passed them were often balked by sheer bulk. They couldn't buy anything they couldn't carry away with them. The net result was that Christmas dollar sales were way short of expectations.

• **Best Sellers**—One thing the stores all over the country noticed was that buying wasn't concentrated in any particular line. Many stores were put to it to pick out best sellers; they reported the sales were pretty much storewide. Toys were at an all-time high in Chicago, "tremendous" in Cleveland, strong in Atlanta. Hardware, kitchenware, and appliances were good sellers, too. Furniture generally was strong.

Women's wear turned up at the head of the weak sister list, though Cleveland said it was picking up as wool shortages loomed. Men's wear apparently did better, though some customers shook their heads, "Johnnie

won't be out of the army long enough to get much wear out of that suit." In Los Angeles, men's wear took the lead by about half the distance around the track. One retailer thought the war was the reason; the women are being good to their men folk for one last time. As for Boston, the apparel business, merchants say, was what pulled them out of the hole.

• **No Panic**—Scare buying? Hardly any signs of it, the merchants said. One Pittsburgh store thought nylon hose and slips showed signs of a war-scare rush; some Detroiters thought the willingness to spend money for appliances, home furnishings, and TV stemmed from a now-or-never feeling.

But one very definite patch of scare buying blazed up early this week. The government's copper limitation order sent droves of buyers into stores to snag off copper items—particularly copper-clad cooking utensils—before they disappeared completely. At some New York stores frantic customers piled up five-deep around the utensil counters.

Zenith Gets Movies

Zenith Radio Corp. finally got its oft-delayed tryout of Phonevision going (BW—Nov. 11 '50, p68). This week the company began a test of pay-as-you-go home movies for TV, involving 300 Chicago families.

Phonevision splits the TV signal so that part of it goes via air, part via phone wire. When you wish to get a movie, you phone the TV station and ask to be hooked in. The charge is \$1 for each program received.

• **Pressure**—Zenith ran into a wall when it first tried to get films from movie producers for tests. Then the company's legal department got the Dept. of Justice excited over antitrust angles; Zenith claimed that there were rumors of an agreement between exhibitors and distributors to ban Phonevision.

Under pressure, five studios—Metro-Goldwyn-Mayer, Paramount Pictures, Warner Bros., RKO, and Columbia Pictures—agreed to supply film. Only holdout was 20th Century-Fox.

How Industries Hope to Expand

	1948	1949	1950*	1951**	% Change 1950-51
	(Millions of Dollars)				
Manufacturing.....	8,340	7,250	7,950	10,570	+33
Mining.....	800	740	690	820	+19
Railroads.....	1,320	1,350	1,140	1,360	+19
Other Transportation.....	700	520	430	620	+44
Electric and Gas Utilities.....	2,680	3,140	3,220	3,440	+7
Commercial and Miscellaneous..	5,390	5,120	4,700	5,070	+8
Total.....	19,230	18,120	18,130	21,880	+21

* Estimates based on actual expenditures for the first nine months and anticipated expenditures for the last three months of the year.

** Estimates based on anticipated capital expenditures of business.

Capital Spending Goes Through Roof

Business spending for capital goods in 1951 promises to break all records.

The question now is not how much industry wants to spend for new plant and equipment, but how much it can get (BW—Dec. 16 '50, p20).

A joint survey by the Securities & Exchange Commission and the Commerce Dept.—the official pulse-takers of business' spending plans—shows that industry will be expanding as fast as it can all through the year.

• **Biggest Yet**—Total 1951 outlay for new plant and equipment is expected to reach just a shade under \$22-billion. That's 21% above last year.

Each dollar spent this year will buy less capital goods. That's because of price rises. But even allowing for higher costs, physical volume of the outlays should be some 17% higher than in 1950.

Most of the new capital equipment is going to end up in manufacturing plants. Normally, manufacturing expenditures make up about 40% of all capital spending. But 70% of the jump in outlays this year is ticketed for manufacturing. This group is due to sop up as much capital equipment as all the others put together.

• **Big Gainers**—Iron and steel companies expect to double last year's expansion; transportation outfits, other than railroads, are looking forward to a whopping 44% increase.

The fly in the ointment is the question of availability. The estimates don't take shortages in materials or manpower into account. And with the military program biting into supplies, the capital goods producers probably won't be able to take care of all the customers that come around.



HOUSE LEADERS Durham, Doughton, Cannon, and Vinson look unlovingly at new tax bill just after passage. But on the whole . . .

Profits Tax Allows for Relief

Special provisions in new excess profits levy will help avoid hardship cases and make the load easier to carry. Utilities, new corporations, and growth companies are some that will benefit.

By and large, the excess profits tax that President Truman signed into law this week is much milder than business had dared to hope for.

To be sure, the new law has some savage teeth:

- It boosts the regular corporate income tax—the rate on “normal” income—by two points to 47%. And it adds an extra surtax of 30% on “excess profits,” giving an EPT rate of 77%.

- It permits corporations to treat only 85% of average base year earnings as normal profits.

- It is retroactive to July 1, 1950—that is, it hits half of last year's profits.

- **Special Relief**—But the tax writers—especially in the Senate—took some of the sting out of the law by including more than a score of relief provisions.

The relief sections didn't attract much attention during the debate in the House and Senate. But they will make a real difference in the weight of the tax. Their net effect is to cut the law's yearly take by about 20%—from the \$4.1-billion that Truman asked to about \$3.3-billion, according to Treasury estimates, which are probably low.

Here's a list of the more important relief measures in the final law:

Ceiling on total tax—The law limits

the government's tax cut to 62% of any corporation's net income.

New corporations—A firm that began business after 1946—and therefore will not show very high average earnings in the 1946-49 base period—can use the average base of its industry.

Minimum credit—If a corporation's excess profits credit—its “normal” income, really—is less than \$25,000, it can raise its deductions to that amount.

Unused credits—Corporations can carry unused excess profits credits forward for five years or back for one. This will help companies that lose money while converting to war work.

Loss carryovers—Last year's losses—and those for succeeding years—may also be carried back one year and forward five. (Present law permits only two-year carryovers.) A special section permits offsetting 1946 and 1947 losses against excess profits of 1950-51; similarly 1948 losses can be subtracted from 1951 excess profits.

Mining incentive payments—Payments made to minerals producers by the government to encourage exploration, development, or mining of critical materials are to be exempt from all corporation taxes including the regular tax. Operating income derived from mining certain strategic materials is to

be exempt from excess profits tax only.

Treatment of utilities—All corporations get a choice of two methods of computing “normal” income. They can either use average earnings in the base period (reduced by 15%) or figure a specified percentage return on invested capital. Railroads, airlines, and utilities, however, get the chance to use still a third method. They will be allowed what amounts to a specified return on their investment after all federal taxes. Telephone and telegraph companies and airlines will be given an excess profits tax credit consisting of their regular corporation taxes plus 7% of equity capital, retained earnings, and borrowed funds. Other utilities, including railroads, will figure their credit the same way but they will be allowed only 6% as a return.

Depressed industries—If an industry's profits during 1946-48 were less than 63% of 1938-48 average earnings, each firm in the industry can use a substitute method for computing its excess profits credit: Apply 80% of the industry's rate of return on capital for 1938-48 to average assets of the 1946-49 base period.

Growth formula—Corporations that can qualify as growth companies under the definitions provided in the law will get special treatment. On the theory that base-period earnings were necessarily low during a developmental period, Congress has offered to let these firms take their choice of four substitute bases.

To meet the definition of a growth company, small corporations (assets of less than \$20-million during the 1946-49 base period) must be able to show either a 30% increase in payroll or a 50% increase in gross receipts in the last half of the base period over the first.

Larger companies will have to show that the rate of net sales in the first half of 1950 was 50% higher than the average rate of net sales in the calendar years 1946-47. In addition, 40% of sales for 1950 must be accounted for by a product that wasn't generally on the market before 1945—television is the prime example. And the company's sales of this product in 1949 must have been 20 times greater than they were in 1946.

Companies that meet these tests can take their choice of the following substitute bases, but in each case the chosen base must be reduced by 15%:

- (1) An average of 1948 and 1949 earnings;
- (2) 1949 earnings alone;
- (3) 50% of 1949 income plus 40% of 1950's;
- (4) 50% of 1948 earnings plus 40% of 1950's. (This last is available only to “new products” firms whose 1949 earnings are less than 25% of 1948's.)



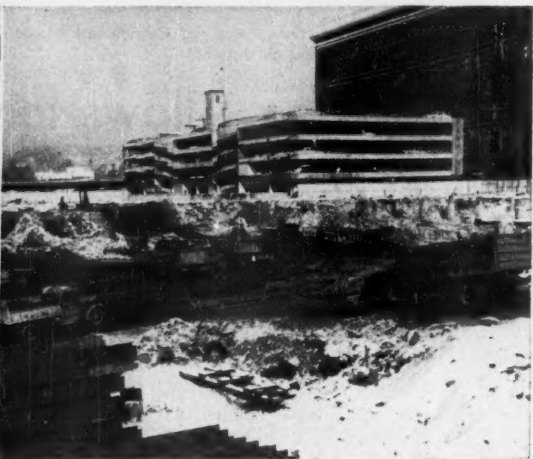
STEEL "Cathedral of earning" is nickname for new Mellon-U.S. Steel building, towering 41 stories.



ALUMINUM Alcoa's contribution to the new Pittsburgh will be all-aluminum faced, 30 stories high.



PARKWAY Penn-Lincoln Parkway will link downtown Pittsburgh with Pennsylvania Turnpike.



PARK Blighted area in Pittsburgh's Triangle is cleared for 36-acre park and 29-acre office and shopping center.

Pittsburgh Cleans Up For Company



On St. Patrick's Day, 1936, H. J. Heinz Co.'s Pittsburgh plant stood almost 15 ft. deep in flood water. To Heinz executives, this was the last straw. They had groped through many a Pittsburgh smog. They had struggled along with the unsteady labor supply of a one-industry town. But when they saw much of the first floor of their plant under the swollen Allegheny, they vowed they would never spend another dime on expansion in the Smoky City.

A few months ago, Heinz announced that it would build a sleek new \$15-million plant—in Pittsburgh. A look at the plant model (picture, left) shows that Heinz still isn't taking any chances on floods. The plant appears to be raising its skirts already to keep them out of rising water.

But the important thing is that Heinz—and a lot of other



AIRPORT Greater Pittsburgh Airport, already in use by the Air Force, will open in June. The \$28-million development, second biggest in the U. S., will be linked by high-speed highway with city center. Terminal building has hotel rooms.

companies—have changed their minds about Pittsburgh. For since the big flood in 1936, and particularly since the war, Pittsburgh's citizens have done a lot to make their city a better place to work and live in.

Right now about \$1.5-billion is committed to civic and industrial improvements in and around the city. When it is all spent, Pittsburgh will have gone a long way toward controlling its floods, relieving traffic congestion, and clearing the air. And it will have new skyscrapers and new factories as its reward.

Leader of this mammoth civic improvement program is Richard King Mellon, head of Pittsburgh's powerful Mellon family. When he returned to Pittsburgh after World War II, Mellon found that some of the biggest companies headquartered there were thinking seriously of leaving. Much of the Mellon fortune, invested irretrievably in the Pittsburgh area, was in jeopardy.

Mellon organized the Allegheny Council on Community Development, staffed it with top men in industry, and city government. A principal asset was the enlistment of Mayor David L. Lawrence, Democratic state boss and national committeeman. Lawrence lined up support of the dominant political party, which in turn brought in the cooperation of organized labor.

One of the first and most important accomplishments of the Allegheny council was to push through an effective antismoke ordinance for the city. It has been law for several years, and the results are impressive. In the words of a Pittsburgh utility official: "I haven't seen a 70,000-kw. cloud for years."

Then, with the help of labor and the Democratic party, the council got federal aid for flood control, airport, and highway projects. Army engineers are

now completing a 10-dam flood control system upriver from Pittsburgh. By backing up and diverting flood waters, these dams will be able to take 10 ft. off crests like the one that inundated the city in 1936.

A new \$29-million airport now under construction for Pittsburgh will be larger than New York's LaGuardia and Washington's National combined. It will also be one of the country's most accessible airports. And it will be less affected by bad weather conditions which snarl air travel in Pittsburgh now.

A highway bypass will be good news to anyone who has tried to drive through Pittsburgh from East or West. An extension of the Pennsylvania Turnpike will carry through-traffic north around the city at 70 mph. A \$90-million, 27-mi., limited-access highway will carry citybound traffic from the turnpike into town in 20 min.

There's relief in view, too, for Pittsburgh's almost hopeless parking problem. The Pittsburgh Parking Authority is planning to build 32 downtown garages. One of them will be underground in the heart of the business district. The block it will occupy—a \$4-million piece of real estate—was donated by the Mellon family.

Industrial expansion now under way will give Pittsburgh a tighter hold on its dominance in steel production. Jones & Laughlin is adding 1.2-million tons of steel ingot capacity in an area in south Pittsburgh that was a slum last year. Crucible Steel Co. is spending an estimated \$35-million in plant expansion and modernization in the Pittsburgh district.

Both U. S. Steel and Alcoa are building new office buildings downtown. Alcoa's will be entirely faced with aluminum—a 30-story showcase for the

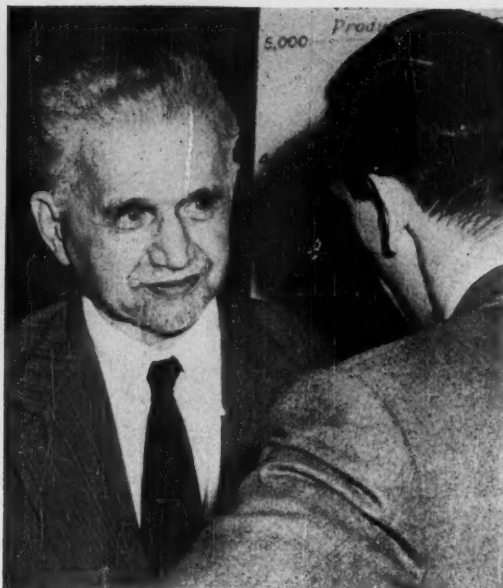
company's product. There will be new apartment buildings, two new veterans hospitals, and expanded plant at University of Pittsburgh and Carnegie Tech. A new children's zoo is already complete. But plans for a light opera amphitheater, a new playhouse, and a palacstra-type gymnasium for a parochial school have been held up by the government ban on construction of amusement and recreational buildings.



PAYOFF Local Pittsburgh industries, such as Jones & Laughlin, are doing their expanding at home.



PAST PRESIDENT of AEA Albert B. Wolfe (left) talks shop with Alvin E. Coons, of Ohio State.



EXPERT ON RUSSIA Naum Jasny, of Stanford, took part in a hot discussion on "The Economy of the Soviet Union."

Firehorses Hear the Gong Again

Economists gather at Chicago, talk almost nothing except mobilization and regulation problems. Some head for Washington.

Mobilization is hitting the social sciences even quicker and harder than it is hitting industry. Once more, economics is changing from a theoretical discipline to an applied science—just as it did in World War II.

• **Annual Pow-Wow**—You could see this switch going on in Chicago last week when nearly 2,000 of the nation's economists got together for the annual meeting of the American Economic Assn.

The AEA meeting is the big trade show of the economics profession. The members come, supposedly, to hear and discuss learned papers. Actually, most of them regard the papers as a sideshow. Many are job-hunting, or interviewing job seekers. And all are mainly interested in swapping ideas informally and updating themselves on what other economists are doing.

• **Straws in the Wind**—This time, the informal corridor talk began and ended with mobilization. In addition, there were two other important signs of the times:

• **Defense agencies**—notably the Economic Stabilization Agency—dominated the job market. The colleges are holding off on hiring men for next year; they expect enrollment to take a

nosedive as young men go into the army or into war work. The government, on the other hand, is hoping to pull economists into some of the top jobs in the war agencies.

• **The meetings** that drew the big crowds were the ones devoted to mobilization. A session on "Economic Mobilization Short of War" pulled the biggest attendance of all. It featured papers by Prof. A. G. Hart of Columbia and J. K. Galbraith of Harvard, once the mastermind of OPA.

• **Controls for Sure**—No formal resolutions or statements came out of the meetings. But there was a surprising amount of agreement on some points.

Most economists, for instance, started with the assumption that the U.S. will have to develop a full set of production, price, and wage controls in short order. At the same time, few of them liked this prospect. There was none of the happy enthusiasm for controls that showed up in 1940 and 1941.

Most of the men at Chicago lined up against the idea of starting with a general freeze on prices and wages. As one veteran of OPA said, "We have to think in terms of 10 or 15 years. A freeze that lasted that long would put you into a new Ice Age."

Forecasts of 1951 business were almost unanimously rosy. With few exceptions, the economists take it for granted that business will have its hands full handling defense orders and taking care of civilian demand—even if controls of one sort or another squeeze down the civilian's share.

• **Area of Agreement**—There was also fairly solid agreement on a somewhat more abstruse point:

Economics today is in better shape to deal with mobilization problems than it was in 1940-41. Economists have reached a broad area of agreement on most points of theory. And they have learned to use mathematics and statistics to make the science more realistic than it has ever been before.

• **The Age of Indigestion**—When industrial mobilization started 10 years ago, the whole science of economics was in a turmoil. It was trying to digest three new developments, all of them upsetting to established theory:

• **Britain's Lord Keynes** had just completed his new theory of employment and unemployment—which is still the starting point for much of modern thinking. Keynes' work threatened to kick the stuffing out of the old theory that full employment was the normal state of affairs in a healthy economy. He argued that a country might find itself stuck more or less indefinitely in a situation where employment and pro-

duction were far below the maximum. This could happen whenever the economy as a whole attempted to save more of its income than it invested.

- The theory of monopolistic competition was playing hob with the old ideas of how prices were set. Economists had always thought in terms of two extremes—competition and monopoly. The new theory suggested that most businesses combine elements of both.

- The mathematicians and statisticians were putting on a big show that bewildered the older economists.

In the past 10 years, economics has managed to digest these three big developments. Hence, there is more agreement and less dispute in the profession now than there has been for at least a couple of decades.

- **Today's Consensus**—In general, the new material has been fitted into the framework of the old theory. A typical economist reciting his catechism today would say something like this:

- Keynes made a real contribution to economics by stressing the role of savings and investment in determining the amount of employment.

- But the theory of economic stagnation—much touted by Keynes' followers—won't hold water. In the post-war U. S., it hasn't proved out.

- Fiscal policy—government spending and taxing—can go a long way toward correcting any drift toward unemployment. But fiscal policy isn't the only answer.

- The effects of heavy taxation on business investment and incentives are something to worry about. There is no conclusive evidence on this subject. But the Australian economist Colin Clark struck a responsive chord when he came out with the theory that no democratic state will tolerate for a long period a tax load that amounts to more than 25% of national income.

- Control of interest rates and credit can do a lot to prevent inflation—just how much is a debatable point. When it comes to preventing deflation, monetary measures aren't worth much.

- **New Development**—Agreement on an area as large as this is something that economists haven't seen for a long time. And it is something that they may not see again soon. Some of the new work that is now under way may turn out to be as much of a bombshell as anything Keynes ever threw. Investigations in the psychology of economic behavior, for instance, may kick the props out from under received theories.

The new mobilization period may stir things up a bit. As Harvard's Galbraith says, a mobilization brings "an important accretion of information on the American economy." Or as another economist rephrased it in the lobby, "You learn a hell of a lot when you have to stick your neck out."



SEN. LYNDON JOHNSON is Congress' boss watchdog for the whole defense setup.



ALAN VALENTINE, Economic Stabilizer, has vague powers, may be on way out.

Mobilization Speedup Begins

Here's what Wilson is doing to spur procurement, stabilization, manpower, and materials controls. And here's an appraisal of what was accomplished before he took over.

Mobilization, phase 2, came in with the New Year. It brings a stepup in government direction of production, pricing, and procurement.

In the few days Charles E. Wilson has been on the job, he has shaken up Washington's meandering defense planning. Phase I just got things barely moving from a dead start. And the accomplishments—the materials and credit controls, the voluntary pricing standards—have left Congress dissatisfied, clamoring for an "all-out" defense effort.

Phase 2 is still a lot less than all-out, but it is formidable:

- **Defense Mobilizer** Wilson's order centering industrial controls in the WPB-like Defense Production Administration means business soon will be told what to produce, how much, and when.

- **Wilson's mere takeover** in Washington squeezed out faster the first tough cutback on use of metal—the copper order.

- **Wilson's decision** to take away price-control policy from Economic Stabilizer Valentine, give it to price man Michael DiSalle, will mean quicker ceilings. First result: an order requiring filing with ESA price increases 30 days in advance.

- **Bigger Job**—William H. Harrison, who has been head of National Production Authority, gets the new, bigger job of boss of DPA under Wilson. NPA itself, Interior's energy agencies, and Defense Transportation Administration will now operate under policies

set by Harrison's Defense Production Administration.

DPA will exercise most of the powers that Truman gave Wilson, except that Economic Stabilization will run prices and wages. Harrison's big job will be to do the key jobs that no one yet has undertaken:

(1) Establish over-all production priorities, (2) set production goals, and see that they are carried out, (3) determine industrial expansion, how much and where, (4) estimate labor requirements for defense production.

- **Military Orders**—Wilson's answers to questions at his press conference on Wednesday left little doubt that he and Harrison would have a big say over the speed with which the military got out orders to industry, the kind of contracting used, the schedules set.

Harrison will have the say whether a tank program, or plane building targets can be supported by the economy, or reconciled with demands by other military or essential civilian products.

His DPA will be the shop that will set up a controlled materials mechanism, decide which metals will come under scheduling, and how soon.

- **Top Decisions**—Despite Harrison's and DiSalle's new authority, you can be sure that Wilson will make all the important decisions for production, pricing, and wages. For instance, he stated flatly that, had the new setup existed at the time, Valentine's auto-price rollback would first have been cleared with Wilson.

Wilson is keeping his own office



SIDNEY WEINBERG has a job of luring business big shots into government service.



GEN. LUCIUS CLAY is policy-making aide to the big boss, Charles E. Wilson.



ANNA ROSENBERG is the lady czar of Defense Dept.'s manpower problems.

small. Other than consultants Lucius Clay and Sidney Weinberg, only two new men have been brought in so far: ex-antitrust chief Herbert A. Bergson, as general counsel, New York executive Fred Searls, as a materials specialist.

Wilson indicated this shakeup was not the last. It won't be long before NPA, Defense Power Administration, and the other operating groups are cut away completely from the departments and bureaus where they're now housed.

• **Manpower, Too**—And once Congress gives better direction on manpower, Wilson will take a big share of that job away from Labor Secretary Tobin.

Stuart Symington's NSRB has now been relieved of all planning and operations. His approval of amortization certificates for steel last week was probably his last direct mobilization act.

Wilson, up to now, has been spending all his time on the reorganization announced this week. Except for his intervention to speed up the copper limitation order, he has let controls, procurement, manpower, stabilization go along on their own.

A survey of mobilization at the end of phase I shows how things stand as Wilson takes over:

I. Procurement

Indecision on just what kind of preparedness the nation needs is holding up conversion of industry.

The procurement officers in the Pentagon can't give the signal to industry until the Air Force, Navy, and Army learn their quission from the top brass. Indeed, Congress can't even appropriate money for the long pull until a strategic plan for opposing the Soviets is decided.

• **Same Disputes**—Mission and strategy are as deeply in dispute as in 1948 when the late James Forrestal got the three services together at Key West, Fla.

The Air Force is suspicious, lest the Navy try to get into strategic bombing with its projected flush deck carrier. The Army is dissatisfied with air-ground support and would like a heavier hand in commanding tactical air.

Over-all, President Truman, Secretary Marshall, and the National Security Council haven't decided squarely how near and big the Soviet threat is.

• **Worried Congress**—This indecision is bringing severe, and hysterical, demands from Congress that the nation go "all out" right now. Stalwart administration men like Sen. O'Mahoney are demanding that the Pentagon show results for the \$50-billion Congress has appropriated so far this fiscal year. Sen. Douglas is expiring that the country should have 6-million men under arms, twice the Pentagon's figures.

The Administration, by inaction, risks having to bow to the pressures and start making guns just for the sake of a production record. Already, Marshall's plans for a gradual buildup, with the accent on broadening the productive base for munitions (BW—Dec.23'50, p21) is running into serious, if unreasonable, opposition.

• **Stumped**—The procurement people who deal with industry are stumped. They can't let contracts for a particular contingency until the top tells them what the future appears to hold.

These men have got the go ahead to work informally with business on negotiated contracts, rather than advertised bidding with all its red tape, as a means of speeding up contracts. Since July contracts have been going out at about \$3-billion a month. But the rate isn't going up, and can't until the procurement men get the "word."

The biggest military buyer is Lt. Gen. Thomas B. Larkin (cover), the Army's G-4 logistics boss. His shop buys for all the Army, plus trucks for all three services, food for the Air Force,

rifles, pistols, carbines, and some machine guns for all three services. Larkin has more than \$5-billion to spend on equipment this year, and has increased his rate of contract-letting fourfold over last fiscal year, and the year before.

• **Combat Boots**—But his problem of how many combat boots to buy—an item that must be given a long lead time because of the special tanning given combat-boot leather—can't be solved until his superiors tell him how many men are going to be in uniform, and in what kind of terrain the boots will be worn.

Larkin has used all the money Congress appropriated last year. He is starting on his share of the \$20-billion voted on the last day of the 81st Congress.

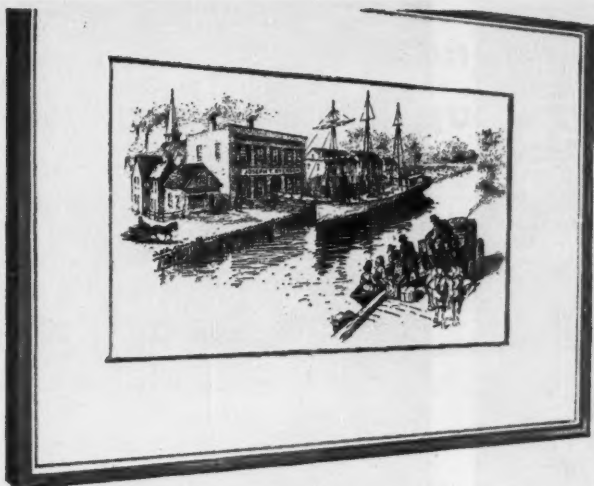
Congress won't have the military budget, or even the third supplemental for fiscal 1951, until February or March, which means that the developing military program can't be financed until late in the new session of Congress. Air Force and Navy subordinates say the delay will set back the buildup by a year.

• **Slow Going**—An arms program takes time to produce, obviously. The military keeps repeating that no matter how many hens you put on the eggs, it'll take just the same number of days for the eggs to hatch.

But the criticism the Pentagon has a hard time answering isn't over the time it takes to convert—it is over the confusion over what the nation is converting to.

• **Scapegoat**—Meantime the Munitions Board and its stewardship over the nation's strategic materials stockpile is the nearest thing to a scapegoat in the whole mobilization setup.

Congress has been critical of gaps in the stockpile—of wool, of aluminum, of nickel. In part, the criticism is hindsight judgment made after Korea



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"An iron store for blacksmiths, boilermakers and builders." That was the business started by Joseph T. Ryerson of Philadelphia on the banks of the Chicago River in 1842. Essentially, that is the same business that bears his name today.

Of course, there have been tremendous changes. Instead of a single iron store, there are now thirteen great Ryerson steel-service plants, strategically located from coast-to-coast. The blacksmiths, boilermakers and builders have grown enormously in number, many of them now known by other names; automakers, construction engineers, builders of locomotives and aircraft—the list is virtually endless.

Basically, however, your nearby Ryerson Plant is still a store—a department store where you can shop conveniently for all kinds of steel products and order them cut or otherwise prepared to your exact specification. And, though shortages are inevitable today, we haven't stopped planning and building for better service in the future.

From coast to coast we have recently added new equipment and built new plants. Further additions and improvements are underway or on the drawing boards. So we are confident that, in the not too distant future, we will be able to meet your demands completely. Meanwhile, continue to call us—we'll help you to the limit of our ability.



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ALLOYS—Hot rolled, cold finished, heat treated

STAINLESS—Allegheny bars, plates, sheet, tubes, etc.

REINFORCING—Bars and accessories, spirals, wire mesh

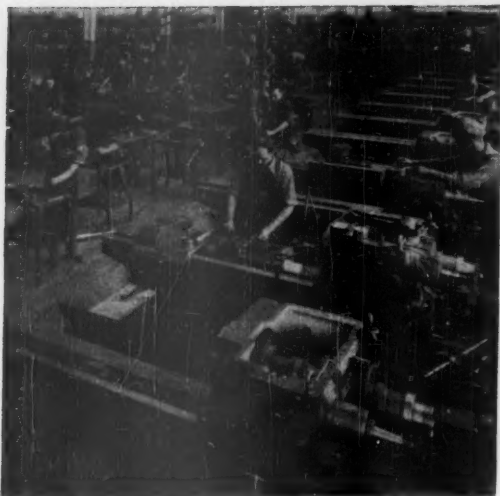
BABBITT—Glyco bearing metal, also Ryertex plastic bearings

MACHINERY & TOOLS—For metal fabrication

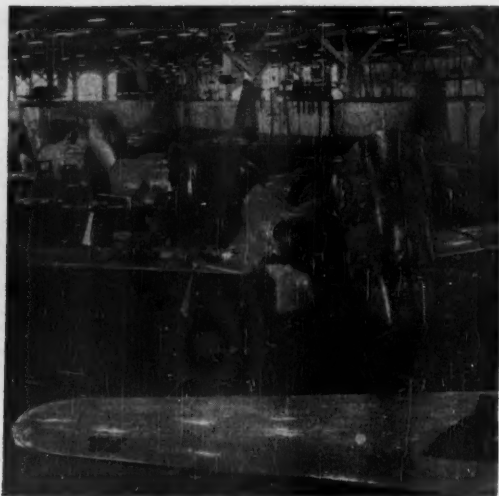
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RYERSON STEEL





MORE CAPACITY, which these machine tools will provide, is big goal, but Congress wants to see . . .



MORE MUNITIONS rolling out of aircraft and tank plants. The dilemma is Wilson's.

showed the needs. Before that, Congress had not wanted the Munitions Board to upset markets and inventories with too much buying.

Actually, the Munitions Board can point to a stockpile worth about \$2-billion—bought from congressional appropriations of a little over \$3-billion.

• **Progress**—John Small, the new head of the Munitions Board, is making some progress in bringing the stockpile into better repute with congressmen and curbstone critics. For one thing, Small is operating in a near-war emergency, not peacetime.

The \$1.8-billion extra that Congress voted for the stockpile only this week has made the program so big that a new agency may have to be set up to do the job.

II. Stabilization

The Administration's campaign to check inflation has produced only spotty results so far.

• On the good side, expansion of instalment credit has been stopped cold. Higher taxes have begun to brake business and consumer spending a bit.

• On the bad side, prices—especially food prices—are rising faster and faster. That means pressure on wages and, as the spiral works around, pressure on prices again. The situation is being fueled by an increase in the money supply, largely due to expanding bank lending.

• **Inflation**—On balance, the scale is tipped heavily toward continued rapid inflation. The fact that there is no immediate curb yet in sight could easily turn out to be the biggest weak-

ness of the entire mobilization program.

It's not hard to trace the trouble to the source: some bungling, of course, plus a lot of failures due to lack of personnel, authority, and time. Really doing anything about the muddle is something else again.

To get results, the President might have to reorganize the infant Economic Stabilization Agency. Congress would have to be a little firmer with the farmer.

• **Farm Prices**—As things stand now, prices simply cannot be controlled. The Defense Act forbids ceilings on farm commodities selling below parity. That leaves Price Administrator Michael V. DiSalle able to put ceilings on few foods besides beef, lamb, and veal.

Then, too, there's no way to put an iron-clad lid on raw materials. If the producer can't recover cost-plus, the commodities stay in the ground.

In the case of international commodities like rubber, wool, or tin, government subsidies are needed. But the Defense Act forbids government buy-sell deals.

• **Voluntary Curbs**—There's general agreement that ESA's voluntary pricing standards won't hold the line for more than a month or two. A lot of firms qualify for raises under the formula; once they up prices, others will, too, whether entitled to or not.

ESA has been criticized for trying such a flimsy scheme. But the agency simply didn't have the people to draw up—let alone administer—mandatory ceilings. It figured that it was better to have chiseling on voluntary appeals rather than on mandatory orders.

• **Some Errors**—Criticism can be most fairly leveled at the President for delay

in setting up ESA—and for settling the rail dispute with an escalator clause. The entire problem of wage stabilization has now been dumped into DiSalle's lap, without the easing of price pressure that a wage freeze would contribute.

Valentine has made some fairly big flubs, too. He asked for an automobile price rollback without even listening to Detroit's arguments, and he never delegated sufficient operating authority to DiSalle until Wilson stepped in.

• **Near-Perfect**—By comparison, the Federal Reserve Board has done a near-perfect job of running its controls sector. It has stood fast in the face of pressure to ease Regulations W and X. It has stood up to the Treasury in the battle over interest rates.

Indeed, its only blunder may have been the timing of last week's rise in bank reserve requirements.

The hike came when the Treasury was paying out cash for maturing obligations. These payments and the post-Christmas return flow of funds to banks, had boosted bank reserves by roughly the amount wiped out by the Fed's order. The result: little or no impact on the banking system. There's a widespread feeling that if the Fed had raised requirements in the fall, the banks would have been cowed into holding down business lending by several billions of dollars.

III. Manpower

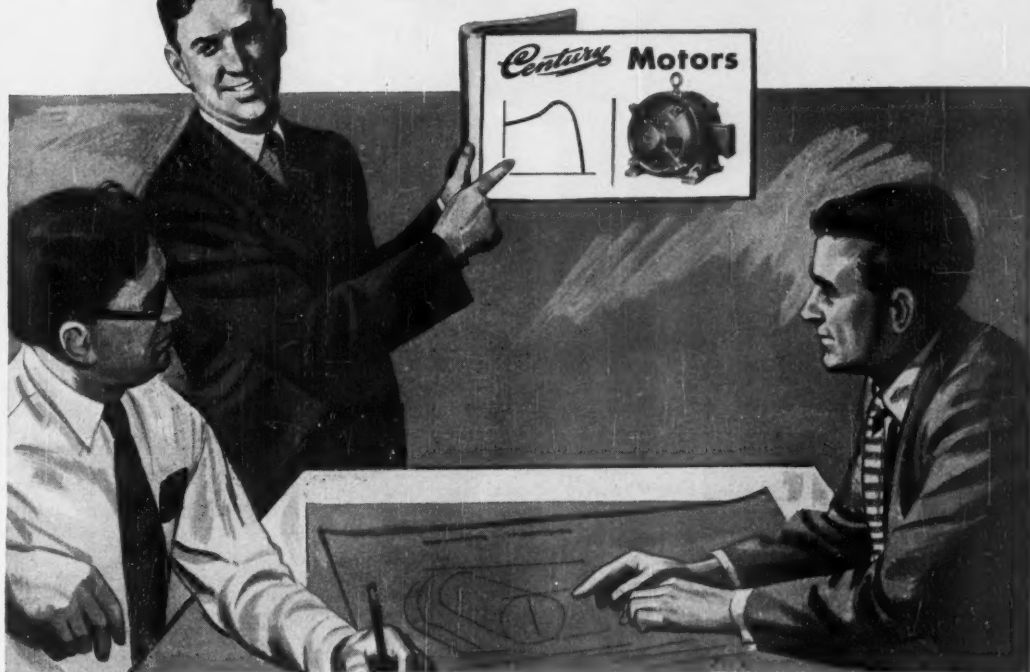
Policy on manpower is practically nonexistent. The blank reflects indecision at the Pentagon.

Delays in setting manpower targets

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haven't slowed mobilization much—yet. And there's a good chance that either Congress or the Administration will come up with a program that will start things rolling soon.

The difficulty is, of course, that you can't know how many draftees or factory hands are needed until someone decides:

- How big each of the services is going to be.
- How fast they are going to grow.
- Specifically, what defense items—and how many—will be wanted.

Defense officials may be right or wrong in declining to nail down hard-and-fast targets for two or three years hence. But there's no doubt that failure to provide short-run working figures has tied the hands of the manpower agencies.

• **Too Few Men**—Take the draft. Selective Service officials know that the present law can't muster more than 2,650,000 men. That's a lot less than needed to man the nation's \$50-billion-a-year military machine.

But how much less? With the Pentagon still hovering between 3-million and 3.5-million men—or even more—the drafters can't say. And that means they can't tell Congress exactly how the Selective Service acts ought to be amended.

• **Deferrals**—Or take industrial deferments. Part of the muddle stems from the chaotic condition of the active reserve rolls; the Pentagon doesn't have the slightest idea how many officers can be spared from their civilian jobs, or which ones can still meet physical requirements.

Even more important is the lack of clear standards by which draft boards can determine whether a nonreservist should don a uniform or stay on the job. The only reason this hasn't crimped yet: The draft is only taking men under 26—and they are the men who haven't had time to acquire essential skills.

Now, with the rate of rearmament scheduled to move up sharply, decisions on manpower can't be put off much longer.

• **Eager Congress**—For one thing, Congress, which has been plumping for more defense than the Pentagon, won't permit further delay. The lawmakers are eager to vote the money and authority. They just want to be told what is needed.

For another thing, the pipelines of war production are shaping up. Soon they will be ready for more orders. That means—more decisions from the military.

The future manpower policy won't be put together all at once. It will emerge in bits and pieces, on Capitol Hill, at Selective Service, and at the Pentagon.

The broad outlines were sketched this week when Anna Rosenberg, manpower expert and Assistant Secretary of Defense, spelled out to a Senate subcommittee the Administration's program:

• **Universal Service**—Keystone of the program is a proposal for universal military service—not just training. It would require every man to undertake two years or more of active duty once he reaches the age of 18. Then, for five years, he would be a member of a part-time drilling force like the National Guard.

• **Broader Draft**—Congress will be asked to drop the minimum draft age to 18, and raise the top limit, perhaps to 30, including fathers. For now, veterans would continue to be exempt, though those with short service records—say less than a year or six months—might be made liable. Physical standards would be sharply lowered.

• **Pruned-Down Reserve**—The Pentagon plans an intensive effort to weed the active reserves down to men who are callable. The project would require a congressional authorization, since 20,000 men would be needed to get the records into shape and keep them that way.

• **Industrial Deferments**—Selective Service would use a clarified set of standards to decide without guesswork just how essential a worker really is. If a manpower draft should be voted—it is not likely—it will be strictly standby. However, essential workers might be frozen in their jobs by a new War Manpower Commission.

IV. Priorities

On materials controls, the mobilizers have gone about as far and as efficiently as they could, considering the military, political, and economic climate since Korea began.

• **Advance Man**—It took the Chinese intervention to bring a Charles E. Wilson to Washington. Now that he is on the job, you can see that Harrison of NPA has really been his advance man. NPA has done the first things: taken out of grease the controls mechanism the country stashed away after the war, assembled the nucleus of a staff to limber up the controls machinery, made a few test runs.

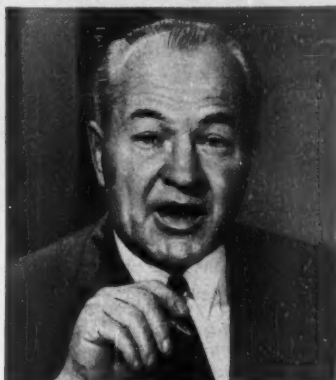
NPA is already trying, in a limited way, most of the methods used during World War II to keep materials flowing to the desired end-products—military and civilian.

From Harrison on down at NPA, everyone admits that the restrictions so far have been half-steps. Not all NPA officials blame the Pentagon for failing to submit a detailed translation of dollars into tanks, shoes, planes, rifles, jeeps. In fact, top NPA officials figure

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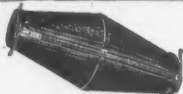
signer or engineer... because of the unique operational problem with which you are confronted. Guided by your specifications, Chicago Rawhide engineers develop a special design, create a new compound, and produce, in quantity, the resulting custom-built part under strict laboratory control. Consequently, in each case, the part possesses whatever combination of physical properties and characteristics you require. The degree of flexibility, hardness, resistance to extreme temperatures, pressures, fluids, gases, abrasion and wear is exactly right.

Sirvene serves dependably in thousands of unusual or difficult situations and it can do the same for you. Truly, Sirvene applications are unlimited.

ENGINEERS: For basic information, write for your copy of "Engineering with Sirvene". There is no charge.

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Boots, diaphragms, packings and other products give dependable service under difficult operating conditions.

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there would have been no benefit in being tougher in their cutbacks, anyway.

• **Mild Cutbacks**—So far, only mild percentage cutbacks have been applied. The real object: to stockpile copper, aluminum, and other metals. Military consumption is admittedly very low.

Last week's copper order was the first to hit hard at nonessential end uses of a widely used metal. And the order isn't effective until March, and as it stands, it won't be the decisive cause of any cutbacks in auto output or refrigerators. NPA's order bans only decorative and nonfunctional use.

• **Complaints**—There's been considerable criticism of NPA's single-band system of priorities—the "DO" (defense order) ratings limited to the military and the Atomic Energy Commission contracts.

There's logic behind some of the complaints. The machine-tool makers have to get a separate, one-shot rating (DO-98) to get material for a machine, or even a jig or die, needed to fill a military order. They get it from the military, who have to clear with NPA—a time-consuming business.

But NPA had just as sound reasoning behind its "DO" system. Chiefly, it wanted to avoid the confusion of World War II when a priority was good only as long as it took the military to get out another order overriding the first.

NPA refused blanket priorities for machine tools—or other capital equipment—to prevent unneeded expansion.

• **Guns and Butter**—Finally, NPA geared its priorities system to the pace of the over-all defense build-up. It was a guns-and-butter program with little upset of civilian production.

The proof of the "DO" pudding has been in the eating of materials by the defense program. Nobody has complained seriously that the military has been unable to get what it wanted when it wanted it.

V. The Materials

End use limitations—outright bans on specific uses of critical materials—have been applied to three metals: copper, cobalt, and cadmium. They are looming for a fourth—aluminum.

Limits on end use are about the toughest of industrial controls, short of the complete scheduling of production and use of materials under a controlled materials plan. At best, they make manufacturers scramble for substitute materials. At worst, they put people out of business.

Except to manufacturers directly involved, NPA's first end use bans didn't look very tough. Users were warned in advance. They were either given a month or two to find substitutes after

the actual appearance of the orders, or left with most of their operations intact by the orders themselves.

COPPER—Most significant was the order banning the use of copper in some 250 finished products, effective Mar. 1. The specific bans buttressed, rather than replaced, a previous NPA cutback on copper for civilian production in January and February to 80% of the average for last January-June, and to 80% in March.

The banned list consisted chiefly of such obviously nonessential uses as door knockers, shower rods, grave markers, trim on autos and appliances, cocktail shakers, and bird cages. But it also curbed use of copper in such building materials as window sash, screens, roofing and roofing nails, and some plumbing equipment. The rule on building materials seemed to be that copper could still be used in the manufacture of electrical conductors, valves, or other functioning parts.

• **Appliances**—Some household appliances were harder hit. Copper was ruled out for laundry equipment, vacuum cleaners, refrigerators, polishers, mixers, irons, and hair driers. Its use was permitted for electrical conductors in razors and toasters. Electric stoves, radios, and television sets were not affected—except for a ban on trim.

ALUMINUM—The aluminum order, expected shortly, figures to hit the same type of items. It isn't likely to make any real dent in auto, radio, or TV production.

NPA has been notably "soft" on aluminum controls. It already had toned down its general cutback on civilian use of the light metal to 20% less than the first-half 1950 rate in January, 25% less in February, and 35% in March. Right after Christmas it extended the 25% February cut through March for "functional components" where no "practicable" substitutes had been found and where the components did not exceed 1% of the end product's weight. This insured a supply of aluminum in March for such things as auto bearings and brake drums, and eyelets for tennis shoes.

CADMIUM—The limitation of this metal, used widely in corrosion-resisting alloys, looked tougher. NPA Order M-19, issued only a few days earlier, became effective Jan. 1. It limited use of cadmium, for defense orders, as well as civilian needs, to 55 products and types of products.

The approved list covers virtually everything but frills. It did take cadmium out of the manufacture of commercial electric signs and lighting fixtures. On the other hand, its use in artists' colors was expressly permitted. Inventories were limited to 30 days' supply.

COBALT—Supply of this metal, used



Pardon our Pride... it's justified!

P-I-E has just won top honors in the 16th year-long National Safety Contest sponsored by the American Trucking Association. Judges from two other national associations and a government agency—they all agreed on P-I-E!

FIRST AWARD for safety among over-road general carriers traveling 12,000,000 miles and more annually.

FIRST AWARD for safety in local general cartage class, 1,000,001 to 2,000,000 miles annually.

FIRST AWARD for best combination of above two divisions.

TRAILMOBILE TROPHY "for the best record of safety and service on the highways regardless of size."

ANOTHER FIRST in "Shop Excellence" (maintenance, service, repair). Transport Topics National Contest among for-hire carriers with 400 or more vehicles.

ANOTHER FIRST in driving skill and knowledge. P-I-E driver, O.E. Chapman, won the National Championship in the Tractor Tandem axle Semi-Trailer class. E. L. Sharp won 2nd place in the Full Truck-Full Trailer class, and three other P-I-E drivers won State championships.

When champion drivers operate the best-maintained equipment in the safest manner
No Wonder "Shippers Agree... It's P-I-E!"



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AMERICAN INDUSTRY NEEDS RUBBER

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AMERICAN LIVES DEPEND ON RUBBER

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Long-flight conveyor belts, rubber-surfaced highways and millions of ideas yet to evolve . . . Rubber is a critical ingredient for a healthy future. Don't let waste imperil American progress. Help Save Rubber!



To save the most—use the best



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REPUBLIC RUBBER DIVISION

Lee Rubber & Tire Corporation
YOUNGSTOWN, OHIO

in high-speed steels and in magnetic and hardening alloys, previously had been rationed between defense orders and civilian uses by NPA on a monthly basis.

NPA set the January quota for civilian use at one-third that of January, 1950. Starting Feb. 1, NPA will allocate all cobalt. Users will have to obtain NPA application forms on which to specify their needs. Forms must be filed by Jan. 15, and on the 15th of each month thereafter. Users of 25 lb. or less in any month are exempt.

• **Short Supply**—Other metals in short supply are still subject to earlier types of NPA controls, like general cutbacks of civilian use and inventory ceilings. Nickel and other vital alloying metals may soon be subject to end use curbs.

STEEL—This still remains the "substitute" metal, the one turned to by manufacturers hit by other restrictions. At present, the controls on steel aren't very important. Steel producers operate under "spread-the-work" ceilings which permit them to turn down a priority order if their military business already totals a certain percentage of their monthly shipments. The percentages range from 25% for some alloy products, with carbon steel types ranging around 10%-20%.

• **Indirect Cut**—NPA has been hoping that light metal cutbacks would force reductions in steel. That is, if the copper order drops auto output by, say, 25% or 20%, then steel is also saved in the same ratio.

However, the restrictions on non-ferrous metals so far have scarcely hit any "functional use" in automobiles or consumer durable goods, the two industries that must be hit hard if much steel is to be saved.

Controllers are still loath to apply across-the-board cutbacks to steel itself. No such program is likely, at least till after July 1.

Meantime, look for more steel allocation programs, similar to those in effect for freight cars, Great Lakes ore boats, and the like.

NICKEL—Pressure from Congress probably will hasten end use limits on nickel. The metal is scarce and is needed for hardening and for corrosion-resisting alloys vital to defense materials—jet engines, for example. Real pressure is coming from Sen. Lyndon Johnson's subcommittee investigating the preparedness program.

Johnson wants to keep nickel out of coins, as we did in the last war, and stop auto makers from using it in car strip. He also wants to get a scrap drive going. NPA has promised to go along. Right now, there is only a cutback on civilian use during the first quarter of 1951 to 65% of last year's and a 30-day inventory ceiling.

TIN—A recent NPA order imposed

the first general cutback on civilian use of tin. It started gently, permitting use in January at 100% of average monthly use in the first half of last year. This allotment was cut to 80% for February and March.

The cutback applies to all materials containing 1.5% or more of tin. The order also forbids use of new pig where secondary tin can be used. Inventory ceilings on pig are set at 120 days' supply for tin-plate manufacturers, 60 days for all other users. Inventories of alloys and other forms must be held to 60 days' supply.

ZINC—Civilian use of zinc during the first half of this year was limited a month ago to 80% of consumption during the first half of 1950. At the same time, NPA set an inventory limit of 45 days.

Even earlier, NPA banned all use of columbium, a vital steel hardener, for civilian purposes. But it has taken no action whatsoever on lead, a shortage metal in the last war. Lead eventually will come under controls, if only as part of a broad pattern of metals controls. There has been little sign of a shortage as yet.

RUBBER—The government has again become the sole supplier of rubber to U.S. industry. General Services Administration henceforth will buy all the natural rubber imported into the U.S.—and government-owned plants are supplying all but a few thousand pounds of the synthetic supply.

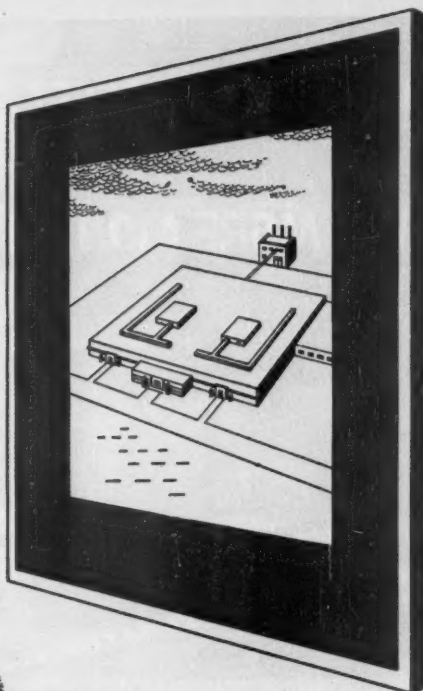
GSA this week was analyzing reports from tire makers and rubber importers on existing private contracts and delivery dates. Within a few days, the trade expects GSA to complete arrangements whereby private importers will act as buying agents for GSA.

• **Sky-High**—It seems unlikely that, for the next few months at least, government buying will mean any drop in sky-high natural rubber prices. Heavy stockpile buying is a must.

Tire makers and users won't be noticeably affected. Biggest change in prospect is the switchover to a higher percentage of synthetic in rubber products. Regulations now hold national use of rubber in February to 42,500 tons synthetic, 31,600 natural. Banning of nonessential use of rubber is not imminent, but mandatory synthetic-natural specifications for end-products are expected by March or April.

By midyear, though, experts figure rubber may be running out of our cars. Big reason for this: Output of synthetic rubber is expected to hit an annual rate of 924,000 tons by February, when all available plants will be running full steam. A few months ago, our synthetic production was only a fraction of this.

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Small, diversified manufacturers have tremendous growth opportunities in South Carolina. Let's discuss your opportunities in more detail.

Write (Box 927), wire, or telephone (L.D. 94) now.

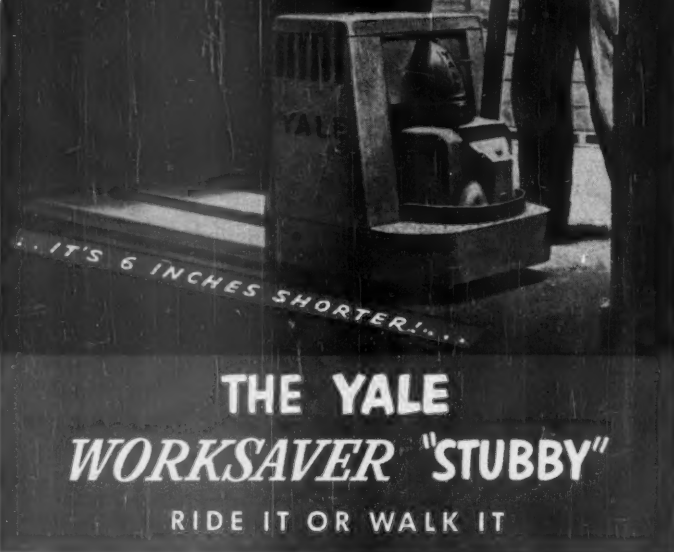
L. W. BISHOP, Director

South Carolina Research, Planning and Development Board
Department BW-1, Columbia, S. C.



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BUSINESS BRIEFS

Price fixing: Among competitors, it's just as illegal downward as upward, the Supreme Court said. It overruled a court of appeals' decision, upheld a district court that gave triple damages to an Indiana whiskey distributor suing Joseph E. Seagram & Sons (BW-Dec. 9'50,p72).

Price rollbacks spread, though slowly. Three major companies—Eastman Kodak, International Nickel Co., Inc., and Allis-Chalmers Tractor Division—went back to Dec. 1 levels.

The Chicago Journal of Commerce was sold to Dow Jones & Co., publishers of the Wall Street Journal. It becomes the fourth regional edition of the New York paper.

U.S. Rubber bought Esso Standard's Paracril synthetic rubber plant at Baton Rouge. It will step up annual capacity from about 15-million lb. of Buna-N synthetic rubber to 30-million lb.

A triple-damage award (BW-Apr.22'50, p59) against nine Hollywood film distributors was won by Brookside Theater Corp., Kansas City. A jury found the distributors had conspired to restrain competition, handed Brookside \$1,125,000.

LP-Gas sales reached a record 34-billion gal. in 1950, 25.4% more than a year ago. K. W. Rugh and G. R. Benz of Phillips Petroleum, who annually review the industry, see an even higher total for 1951.

More plant for General Electric: It will begin construction immediately on its million-dollar electronics plant at Auburn, N. Y. (BW-Dec.23'50,p28). . . . At Cincinnati, it will triple space for manufacture of jet engines.

Clifford B. McManus, president of Southern Co. (BW-Sep.16'50,p30), moved into a new job as administrator of the Defense Power Administration. He's been a main advocate of the idea that private utilities can get along with government.

The heaviest hydraulic presses ever designed were ordered by the Air Force from Zith Loewy Engineering Co., New York. The contract calls for two six-story-high presses with a capacity of more than 50,000 tons. Plans came out of research at the Air Force's Manufacturing Methods Pilot Plant at Adrian, Mich. (BW-Jun.24'50,p38).

For military strength...
For a healthy economy...

MORE AND MORE ALUMINUM

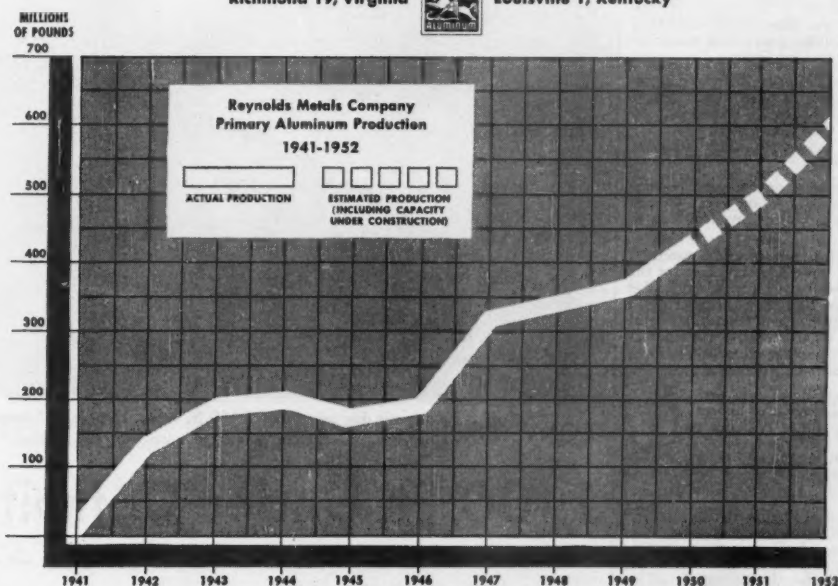
Greater production is America's best protection
from all its enemies. We must out-produce
military aggressors. Increased production combats
inflation and strengthens our whole economy.

REYNOLDS METALS COMPANY

Richmond 19, Virginia



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REYNOLDS ALUMINUM



**CRAFTSMAN & PURVEYOR OF FINE FURNITURE
WROTE OF STEEL; WHO ALSO DELIVERS OF HIS
THOUGHTS ON MANY ANOTHER TOPIC**



Dec. 6th—When first persuaded that this, my poor Diary, should appear in Publick Print, I was afraid lest it be of little interest. Then was I rebuffed with the comment that All Men & Women like nought so much as the Personall Affairs of Others. So, with a measure of Humility, let it be said that should there be a Paucity of interest, I Hope there be none in Intelligence.

Dec. 8th—My Chyrurgeon warns me of the Dangers of overeating. A Difficult warning to Heed, this, because as one ages, Eating becomes one of the few remaining Pleasures.



Dec. 16th—To the office, there to ponder that the Good state of my trade hath a Bad side. Small satisfaction do I find in our workshops being so far behind in Deliveries. If this my Worthy Patrons can not forbear, may I suggest they seek my Competitors; most are Good People & make Good Products.

Dec. 18th—Witnessed an exhibition of the revived Ballroom exercise known as the Charleston. This tempestuous Minuet augurs a boon for the Physicians & Bone-setter's Trade.



Dec. 21st—Mr. Steeve Kay, a good Chair Bender in my Employe, announces the Arrival of the 11th Child. Volume production seems Inherent with Our Steeve.



Dec. 23rd—Much business did we receive Today from various divisions of General Motors. Beyond producing Good Cars they also produce a Good feeling in their pleasant Business relationships.



Dec. 24th—A volume on pre-natal psychological Influences is enjoying great Voigue. I find it not easy to adjust my Thinking to its tenor.



Dec. 26th—I, at my club, seated all evening, gave Thanks again for the Comforts of the Upholstered Bridge Chair, an original invention of Mine of many years ago truly mothered by Necessity. Methought what I failed to Devise was an antidote for recurring pains in the same Region that result from partners' erratic bids.

Dec. 27th—Especially grateful am I that Customers continue to find my small Booklet labelled "A Guide to Interior Design" apt Counsel in matters of good Arrangement in their own Shoppes and Offices. A clean Facsimile is gladly yours upon receipt of your Request.



Dec. 30th—Thus ends this year, but with ill-comfort for My Dear Nephew, who has over a year lain abed in an Iron Lung, a victim of Polio. Next monthe, I do beseech all to support that Highly Excellent Foundation for Infantile Paralysis. No praise that I know equals their Great Helpe.

**METAL FURNITURE
SINCE '97**

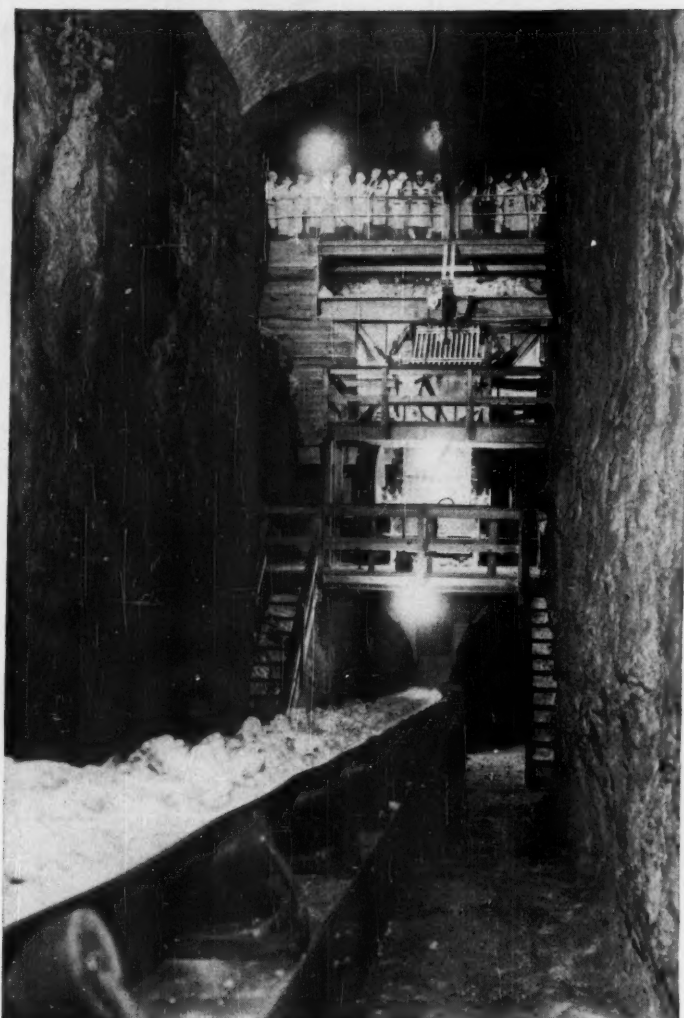
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CITIES



CONVEYOR Rock salt dug more than 1,100 ft. below Detroit in International Salt Co. mine, travels from crusher to mine head for grading.

1,100 Ft. Under Detroit

Though a Detroitier may spend the rest of life touring his city, he may never see all of its streets. Some 60 mi. of them are deep underground. They are the corridors of a huge salt mine owned and operated by the International Salt Co.

Lying a fifth of a mile under the city, the mine straddles an almost inexhaustible vein of salt that runs from Trenton to Port Huron, Mich. The vein is 35

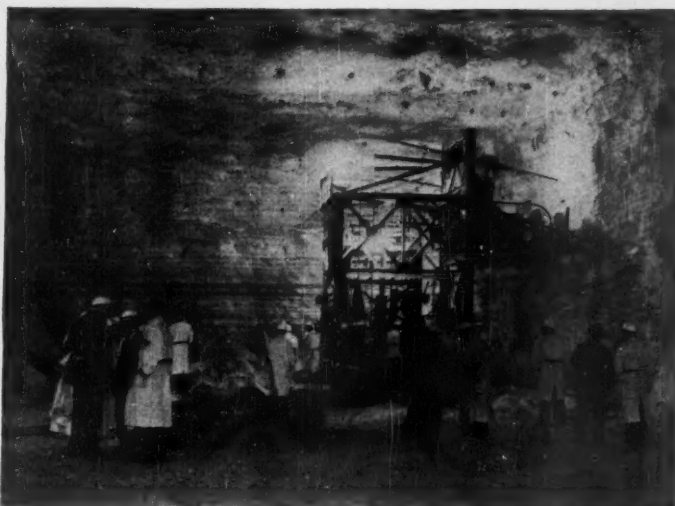
ft. thick, the only dry salt deposit in Michigan.

Corridors that cut alongside the vein are 50 ft. wide and 23 ft. high. Between parallel corridors are giant pillars of salt that miners have left standing for roof support. A railroad, 8 mi. long, runs down the central corridor connecting the mine's two elevator shafts.

Trucks and autos are widely used in the mine. To handle the traffic, the



CORRIDOR A jeep tows a cartload of visitors through the 60 mi. of roadway in the mine. Mine is air-conditioned and well-lighted.



DRILL RIG Visitors in white coats watch a modern drill rig bore holes for dynamite charges in wall of salt. Vein is 35 ft. thick.

corridors have all the safety signals that you see on surface streets. There are stop signs, traffic lights, even signs banning left turns. The whole mine is air-conditioned. It is kept at a dry 58 degrees.

Digging and blasting began in this mine 44 years ago. Today the mine is one of the most modern in the world. International Salt currently digs out 4,000 tons of salt a day from under Detroit.

Some of this output is helping the city up above solve its snow removal problem. When snows come, Detroit

spreads rock salt crystals, which come from the mine below, on its streets. One ton covers 1½ mi. of roadway. Public works department officials say that within six hours after a snow storm, truck crews will have salted down 300 mi. of streets.

Theoretically, the mine could also make a fine bomb shelter. Munitions Board investigators found that the caverns were large enough to hold all of Detroit's people. But practically, it has limitations: The present elevators could handle only 5,000 people an hour; and new elevators would take years to build.

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Better Parts for Better Products



An Entertaining Booklet

"Here's Rogers and its Fiberloys" will help you decide whether you have a place for the FIBERLOYS. Please write for it, to Dept. B, Rogers Corporation, Manchester, Conn.

ROGERS CORPORATION

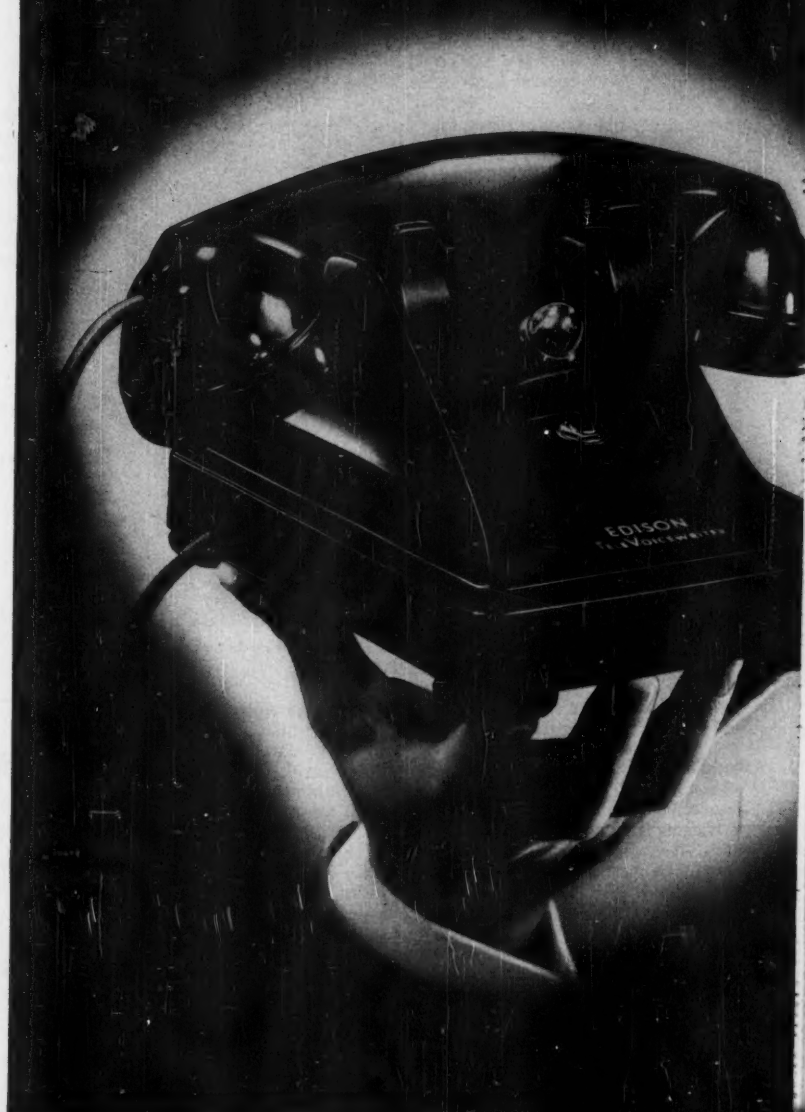
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And it's
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IN ONE HISTORY-MAKING stride, Edison has advanced instrument dictation years ahead of anything ever before offered! The EDISON TELEVOICE System is an *entirely new* facility for handling your written communications—new in concept and scope—new in the instruments employed—new in the direct, simple, economical way it serves you!

Imagine a system of recording from many stations to a central point. Imagine that these EDISON TELEVOICE Stations are like your present telephone—as small and dependable—and as simple and familiar, so that no instruction is necessary! For the first time, you have no discs, cylinders, belts or index-slips to change or manipulate!

Consider that start, stop and playback, as well as length and correction indications, are all accomplished by *remote control*, with simple push-buttons right on the TELEVOICE Station!

Now you can understand how profoundly Edison has transformed instrument dictation—turning it into an office necessity like the telephone and the typewriter.

The EDISON TELEVOICE System, moreover, achieves an efficiency hitherto unapproached. One to twenty TELEVOICE Stations connect to the EDISON TELEVOICewriter, located at the *secretary's* desk. Hence, dictation is now "delivered" to her—*instantly, clearly, continuously*. It cannot sit, neglected, on some dictating instrument. Messenger pick-up service is eliminated. The secretary paces her transcribing to the work as it is dictated, and returns "the world's fastest signature service" without peaks or pressure.

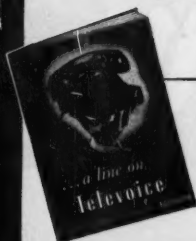
TELEVOICE installations are made on a work-load basis to assure free-line service to all concerned. The economy is obvious. With many dictators being served by only *one* recording machine, costs of instrument dictation are cut by as much as 66%!



Edison TeleVoicewriter

The Televoice System

Thomas A Edison
INCORPORATED



GET THE WHOLE STORY—NOW!
Send for this new descriptive booklet. Or, to arrange for a demonstration, call "EDIPHONE" in your city. In Canada: Thomas A. Edison of Canada, Ltd., Toronto 1, Ontario.

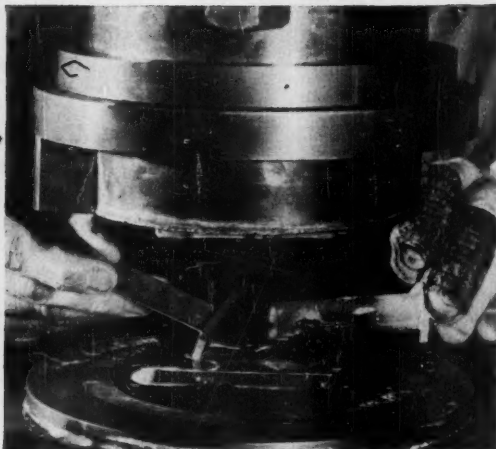
EDISON, 30 Lakeside Avenue, West Orange, N. J.
Okay—send me A LINE ON TELEVOICE.

NAME _____
COMPANY _____
ADDRESS _____
CITY _____ ZONE _____ STATE _____

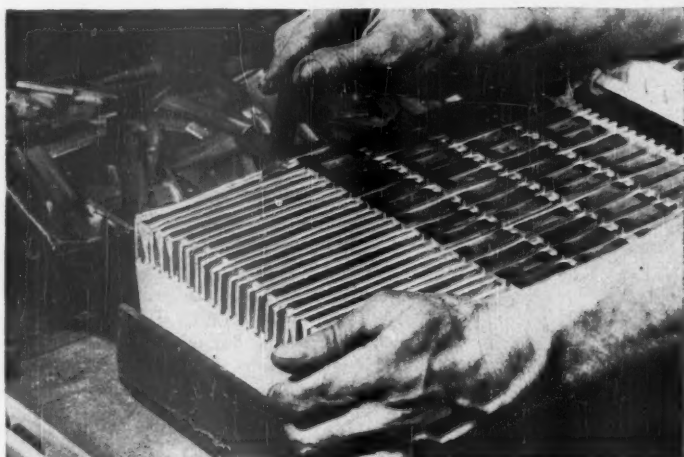
PRODUCTION



1 250-ton press shapes powdered iron to the form of jet engines stator and rotor blades at Thompson Products plant. Special dies insure uniform density, despite varying thickness of blades.



2 "Coining" machine gives the blade exact contours, after heat treatment (sintering) has transformed the compacted powder into a solid part. The stage is set for the copper alloy.



3 Blades are stacked, root end up, in a special tray which will carry them into the hydrogen atmosphere furnace. There, temperatures of 1,900F. will cause infiltration of the copper alloy to give the blade its needed density and strength.

High Strength Jet Blades From Powder Metallurgy

(TURN TO PAGES 44 & 45)



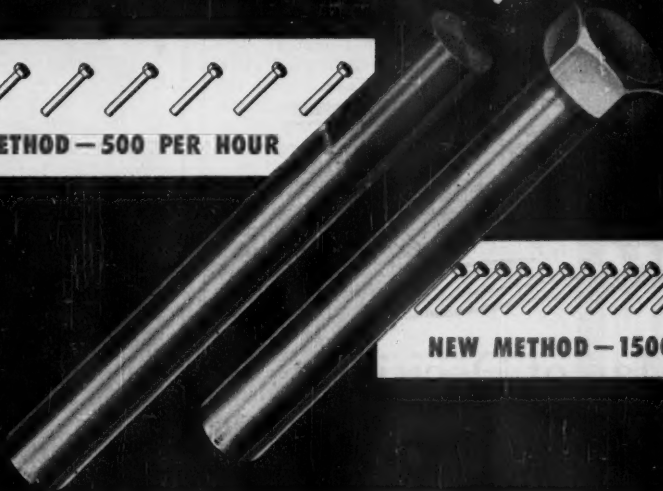
4 Small block of copper alloy is placed on each blade root. In furnace, porous blade will absorb alloy as it melts.

PRODUCTION

Tripled!



OLD METHOD—500 PER HOUR



NEW METHOD—1500 PER HOUR

with TOCCO* Induction Heating

THE Northwest Bolt and Nut Co. of Seattle installed a 50 kw 10,000 cycle TOCCO machine, to replace a conventional oil-fired slot type forging furnace, for heating bolt blanks for upsetting. Production on $\frac{1}{2}$ " diameter stock zoomed from 500 to 1500 pieces per hour—on $\frac{3}{4}$ " stock from 250 to 600 per hour.

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4. No heating-up time required with TOCCO
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Why not have a TOCCO engineer find out how TOCCO can help reduce *your* forging, brazing, melting or hardening costs—no obligation.



50 kw 10,000 cycle TOCCO machine heating bolt blanks



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City Zone State



The Man of Decisions ... the Purchasing Agent

The Purchasing Agent is called upon to make countless decisions every day. Each decision he makes is of great importance. Not only must he know where to get the material and equipment he needs, how soon they can be delivered and in what quantities, but he must also decide how much to pay, how much to stock, and—most important of all—which of the materials available he should buy to best serve his company's requirements.

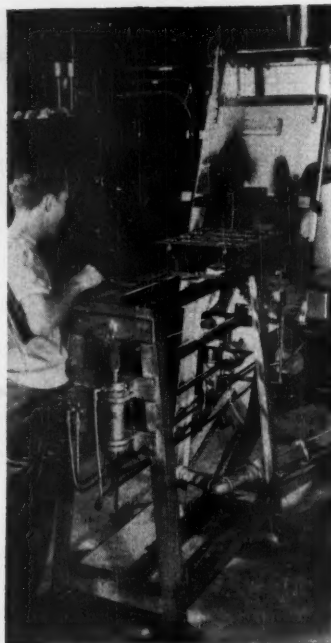
In contemplating purchases of tubing, the conscientious P.A. knows that Wolverine seamless, non-ferrous tube is quality-controlled from ore to finished product; and he can feel assured that it will function most efficiently wherever put to use. He knows, too, that all Wolverine's efforts are concentrated on making tube as good as it can possibly be produced.

Every discerning P.A. specifies Wolverine.

WOLVERINE TUBE DIVISION—Calumet & Hecla Consolidated Copper Company, Inc., producers of quality-controlled tube for refrigeration, processing industries, plumbing, heating and air-conditioning, automotive and aviation—1469 Central Ave., Detroit, Mich.—Plants at Detroit, Mich. and Decatur, Ala.



There IS a difference in Tubing



5 Near end of the process comes one of the few machining operations—the cutting of dovetails into the blade roots.



6 Polishing machine smooths leading and trailing edges of the finished blade. It's ready for inspection.

Jet Blades Made of Powder

Thompson Products' metallurgists mass produce parts of extreme strength and density by infiltrating pressed iron particles with melted copper alloy.

Powder metallurgy holds the answer to some defense needs for high-strength metal parts—when it can be harnessed to big-scale production. And the answer is doubly welcome if it can also eliminate use of scarce materials, and use only light equipment which can readily expand for increased production.

• **High Density**—That's just what Metallurgical Products Division of Thompson Products Inc., Cleveland, has achieved in turning out blades for axial-flow jet engines. The stator and rotor blades need tremendous strength and density, much more than can be gotten with ordinary powdered iron. So Thompson has worked out a method of using pressed powdered iron infiltrated with a liquid copper alloy.

The idea of using the copper alloy infiltration has been kicking around for years (BW—May 25 '46, p. 50). The news now is that Thompson has brought it to a production-like basis, and profitably.

• **Reasonable Costs** — High-strength blades are being turned out by the thousands every month; machining is reduced to an absolute minimum; rejects are few. Also, according to Thompson, manpower needs are low, presses and furnaces take up little space, and scrap is virtually nonexistent. That all adds up to reasonable costs.

Thompson researchers worked out their process after several years of co-operation with American Electro Metal Corp.'s staff, headed by Dr. Paul Schwarzkopf, a pioneer powder metallurgist.

The over-all chain of development began with ordinary powder metallurgy (BW—Jul. 1 '50, p. 38), in which finely divided metal is formed into solid parts by pressure and heat. Out of this developed the cemented carbides and tungstens, which are made by pressing metal particles into a compacted part, and then sintering (heat-treating) them.

• **Carbides**—The Thompson process goes beyond the cemented carbides, though the two have this in common: In both cases, particles with a high melting point are bonded by a material with a lower melting point: Cobalt does the bonding in the carbides; In Thompson's cemented iron compacts, copper is used.

The difference is that in the carbides, the bonding material is intro-

duced into the original powder mix. The Thompson method introduces it later, in liquid form. It's like a flower pot standing in a saucer of water. Capillary attraction draws the water (copper) up into the porous earth (pressed iron) in the pot.

At the end of the laboratory stage, Thompson found itself with a very dense, strong product, made from relatively low-cost materials. In serviceability, it rivaled the carbides. And it also had the advantages of powder pressings; parts of complex shape produced to tailored dimensions with a minimum of machining.

• **Production**—Now Thompson's problem was to translate the experiments into large-scale production. Mechanical properties had to meet the strength and ductility needs of turbine blades.

• **Step-by-Step**—Ultimately, Thompson decided on a fine-mesh iron powder and a special copper alloy. This sequence of treatments was worked out: (1) Press the compact; (2) sinter; (3) repress (coin) to exact contours; (4) infiltrate with the copper alloy; (5) straighten warped parts; (6) blend the edges on a polishing machine; (7) heat-treat to develop mechanical properties; (8) straighten and heat-treat again; (9) cut dovetails into the blade root with a broaching machine; (10) polish and plate blades with nickel; (11) put each finished blade through dimensional, X-ray, and fluorescent particle (Zygo) inspections.

It took plenty of study to work out the treatment, and the many details which make it function.

To begin with, the iron powder is kept in an air-conditioned room where it is mixed with stearic acid, the lubricant that allows the particles to flow past each other during pressing.

• **Compression**—Getting uniform compression offered a problem. Because the blades are thicker in the center than at the edges, solid dies wouldn't do. So dies were made in sections; by putting heavier pressure on the thicker parts of the blade, uniform compression was achieved. Thus at the end of step (1), the blades have a uniform density of about 65%. Steps (2) and (3) raise the density to about 80%.

Now comes the crucial infiltration, step (4). The blades are placed in a tray, root end up, and are put in a hydrogen-atmosphere furnace. Atop each root is a little block of the copper alloy. The furnace maintains a tempera-



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"More than Paper"



A manufacturer of electrical equipment standardizes on MOSINEE — "more than paper" — because of its *uniformity*. This enables him to obtain exactness of his finished product without having to adjust his processing to paper variations.

This manufacturer knows he can rely on the *dependable uniformity* of MOSINEE. Such dependability may help you solve your problem. Write Dept. BW and MOSINEE "paperologists" will be glad to confer with you without obligation.

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Mosinee, Wisconsin

Essential Paper Manufacturers

Before You Decide

Look Under the Truck!



IT TAKES a lot of truck to meet the demands of present-day motor transportation! And no other parts of the truck take more—and give more—than the axles. It's no wonder then, that so many cost-conscious truck buyers make sure their new trucks are equipped with dependable Timken-Detroit Axles. Because of such outstanding features as Hypoid Gearing, these rugged axles have rolled up a record of dependability through billions of miles of tough, day-to-day operation... proof enough of their superior design and construction! It will pay you to look under the truck before you buy. Look for—and demand—Timken-Detroit Axles and Brakes!



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A PRODUCT OF THE TIMKEN-DETROIT AXLE COMPANY
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WORLD'S LARGEST MANUFACTURER OF AXLES FOR TRUCKS, BUSES AND TRAILERS

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ASHTABULA AND KENTON, OHIO • NEW CASTLE, PA.

ture of about 1,900F, a few degrees above the melting point of the copper alloy. When the copper melts, it is absorbed by the still-porous blade, which acts as a blotter.

When the blades emerge from the furnace their density is close to 100%. At this point, ultimate strength is up to about 70,000 psi. The final heat treatments bring ultimate strength to about 100,000 psi.

• **Varied Properties**—Thompson claims that the process is flexible enough to produce almost any desired range of properties. For example, you can get high ultimate strength with low ductility; or a lower ultimate strength with high ductility. In range, the products resemble steel alloys, with ultimate strengths ranging from 60,000 psi. to 130,000 psi.

One advantage of the copper-infiltrated blades is their resistance to vibration (damping characteristic). This is three to four times greater than that of 403-stainless, which itself was selected for its high damping properties. The Thompson blades have eight times the damping capacity of carbon steel blades. This helps to eliminate fatigue failures when the rotors are whirling.



Steel Freezes Hard

Stainless steel gets a deep-freeze treatment to give it increased hardness at Westinghouse research laboratories. Company metallurgists first chill the steel at -300F in a foaming flask of liquid nitrogen; then they squeeze it down to desired thickness in a lab-sized rolling mill. A final heat treatment makes the steel three times harder than it was originally. The theory of the hardening process—called Zerolling—is that the chilling and rolling shift some of the atoms in the metal into a totally different arrangement.

*Another example
of production progress
with Douglas Fir Plywood*



What's New and Different about this Car?

**Large, Light,
Strong
Real Wood
Panels**



Check These Plywood Advantages Against Your Needs!

Douglas fir plywood is real wood, "engineered" to bring you:

- ✓ Great Strength; Rigidity; Dimensional Stability
- ✓ Light Weight; A High Strength-Weight Ratio
- ✓ Split-proofness; Tremendous Resistance to Impact
- ✓ Large-Panel Sizes; A Wide Variety of Thicknesses
- ✓ Types; Waterproof-Bond Exterior, Moisture-Resistant Interior
- ✓ Several Appearance Grades Within Each Type
- ✓ Ease of Handling; Workability; Versatility of Application

PLENTY! This combination refrigerator-box car may look much the same as thousands of other cars built with Douglas fir plywood.

But it is different—in several important respects.

It's built on a revolutionary new "unicellular" design principle. It's tons lighter than the conventional car, yet proved by tests to be stronger than a steel car. It costs 20% less. It's bigger, carries a greater pay-load, yet is within standard clearances. It has a smooth, joint-free interior, easier to keep clean. Its one-piece construction is more efficient. It has no cracks or seams. Dirt and heat can't get in; refrigerated air can't leak out.

And every one of these advantages was made possible by the unique properties of Douglas fir plywood.

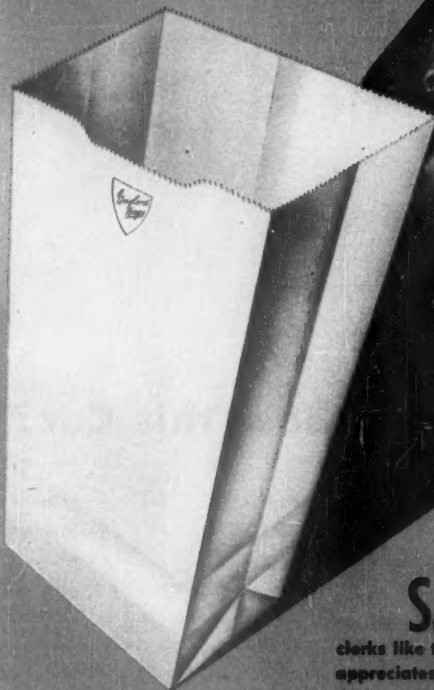
Pressed Steel Car Company, Inc., Chicago 2, Illinois—developer and builder of this new "Unicel" car—turned to Douglas fir plywood because it helped solve basic construction problems.

Plywood has a way of doing just that: solving problems. This wonder-working wood can help you—in manufacturing, in building, in maintenance, in the packing or container field. Why not investigate its advantages, today? Write: Douglas Fir Plywood Association, Tacoma 2, Wash. Field Offices—848 Daily News Bldg., Chicago 6; 1232 Shoreham Bldg., Washington 5, D. C.; 500 Fifth Ave., New York City 18.

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Plywood**

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Full Weight and Uniform Size
That Customers Like in
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CORPORATION**
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Sore owners and clerks like them, too — everyone appreciates a rugged bag that can stand the gaff of sharp corners of packages, bottles and heavy cans.

Gaylord makes paper bags and sacks of every description: for department stores, drug stores, super markets, clothing stores, liquor stores, and many others — all have found they can depend upon Gaylord to produce bags to fit their exact requirements.

- Kraft Bags and Sacks
- Kraft Paper and Specialties
- Corrugated and Solid Fibre Boxes
- Folding Cartons



Rubber Checkup

Threat to natural rubber supply broadens wild rubber research program. Hevea and guayule are best bets.

Home-grown natural rubber has snapped back into the limelight. As the Communist menace in Southeast Asia threatens our best source of the strategic material, the government is speeding up its research in wild rubber plants—marginal producers by peacetime standards.

The government's researchers are trying to prevent a repetition of history. In World War II, Japanese occupation of Southeast Asia cut off 95% of our supply of natural. Until the synthetic industry hit its stride, the U.S. squeaked through on the mediocre natural production of tropical America and Africa.

• **Program**—Spurred by the government research program, the makeshift sources of the last war may soon grow into something permanent. Scientists aim at (1) improving the hevea tree, (2) cultivating guayule shrubs, and (3) purifying wild rubber.

In the Western Hemisphere, growth of the hevea tree—the tree from which Southeast Asian rubber is produced—calls for extremely well controlled conditions. Rubber experts of U.S. Dept. of Agriculture are trying to develop a hardier breed called a “three-component” hevea tree. Seedlings of the hevea are first budded with strains of a higher yield, later budded again with a growth that is blight-resistant. The researchers think that the three-component breed could be propagated in Central and South America if the U.S. ever gets pinched for natural.

The guayule shrub is getting the same treatment. The job is to boost the yield of guayule through hybrid breeding. But even under the cost-is-no-object philosophy of wartime, conditions in our own backyard still can't produce enough natural from the shrub.

• **Deresination**—To compensate for the poor yield of wild plants, the National Bureau of Standards has worked out a treatment called deresination that makes wild rubber comparable with the plantation grown product. Solvents and mastication take out the resins that detract from the quality of wild rubber. The lower the resin content of the wild variety, the higher its tensile strength.

During World War II, poor quality rubber had to be blended with better grades before it could be used. Deresination may eliminate this blending.

In the manufacture of many prod-

*What I've got to have
—is quiet!*

*Then you've got to have
a **FIBRETONE***
Acoustical Ceiling!*



You'll be surprised how little it costs to reduce disturbing noise and increase productive efficiency— with Fibretone Ceiling Panels. Let our acoustical engineers convince you with an estimate.



Fibretone Acoustical Panels are easily, quickly installed over new or existing construction.

THOUSANDS AND THOUSANDS of "noise traps" to help end harmful noise—that's the secret of Fibretone, one of several types of Johns-Manville Acoustical Ceilings.

Each 12"-square unit of Fibretone contains hundreds of small cylindrical holes drilled in the sound-absorbing material. As sound waves strike the ceiling, they enter the "noise traps" where the sound energy is dissipated.

Fibretone is pre-decorated, attractive in appearance, can be painted and repainted, and is designed to meet the most modest budget. Available with flame-resistant finish if desired.

Other J-M Acoustical Ceilings include Transite*, made of fireproof asbestos; and Sanacoustic*, perforated metal panels backed up with a noncombustible, sound-absorbing element.

Whatever your noise problem, and whatever the type of interior, there's a J-M acoustical material that is *exactly right* to give you the best in sound control.

You'll be under no obligation to let us answer two executive questions: "What will the job cost?" "How soon can you do it?" For estimate, or free book on "Sound Control," write Johns-Manville, Box 158, Dept. BW, N.Y. 16, N.Y.

*Reg. U. S. Pat. Off.

JOHNS-MANVILLE



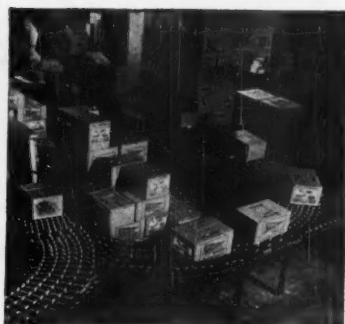
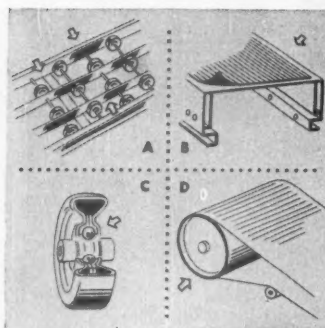
Johns-Manville

Moveable Walls—Terraflex and Asphalt Tile Floors—
Corrugated Transite*—Flexstone* Built-Up Roofs—Etc.

Better 3 WAYS

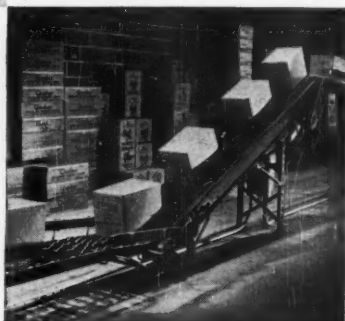
1 Rapistan Flexibility

Now a conveyor line can be fitted to your handling problem. Because Rapistan power and gravity units are adaptable to any floor plan—with re-routing as easy as moving furniture! Standardized units can be hooked together anyway you like, to form an efficient Rapistan "flow" line for faster handling. A new layout can be made quickly without expensive plant shutdowns.



2 Rapistan Quality

Performance is improved because of these Rapistan features: *A.* Exclusive "knitted frame" design—greater strength, less weight. *B.* Special one-piece "box channel" construction—from one piece of steel, no welds! *C.* Exclusive grease-packed ball-bearing conveyor wheels—lubricated for life. *D.* Belt pulleys machine welded—uniform strength around hub, disc stays put!



3 Rapistan Value

Original cost of Rapistan equipment is low. Upkeep is kept at a minimum because bulk of "flow" system is low-cost gravity conveyor, with power units at strategic points. Hence, on-the-job savings result from elimination of traffic snarls, and excessive handling. Storage space and man hour output are greatly increased. Fewer workmen often handle twice the previous volume!

SEND FOR FREE CATALOG and factual case histories. See how carloading is cut from 80 to 8 man hours... a processor saves \$200 weekly... production is speeded up 75%. Write today!

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The RAPIDS-STANDARD COMPANY, Inc.
405 Rapistan Bldg. Grand Rapids, Mich.



CONVEYORS: Power or Gravity, Portable and Stationary.
Also CASTERS & HAND TRUCKS.

ucts, synthetic rubber can be substituted for natural. And in some cases, synthetic is actually superior. But there are some products—such as truck tires—that have to use some natural.

Radome Raincoats

Rain drops are as gentle as buckshot when you hit them at 400 mph. in a jet fighter plane. A fighter pilot can leave the ground with a pin-up girl adorning his fuselage, fly through a rain storm, and land after a short flight to find the lady completely scoured away.

Rain is tougher still on radomes, the plastic nose and tail housings that contain the radar equipment of a fighter. At high speeds, rain drops cut through two and three layers of the plastic housings in only a couple minutes. (Metal housings would block a radar signal. So plastics must be used.)

• **Coatings**—To make plastic rain-resistant, the Air Force is working on suitable protective coatings for it. Although tests are still being made, du Pont's Neoprene rubber is the best coating that Air Force researchers have yet found. Coatings of 10- to 12-thousandths of an inch have prevented damage to the plastic housings during 10-hour flights.

Besides being tough, Neoprene coatings are easy to apply. Ground crews don't have to be expert painters to paint the stuff on. When a coating wears down a little by rain abrasion it is simply built up again by spraying on more Neoprene.

Cardboard Furniture


Earl D. Smith of Dallas Smith Corp., Indianapolis, sat down on a fiberboard beer carton at a party one night, and came up with the idea of making furniture from fiberboard.

Smith talked the idea over with the design manager of Inland Container Corp., a manufacturer of paper products. The result is a chair that's comparable in strength, comfort, and upholstery to a wooden-frame model.

Inland Container die-cuts the four pieces of a chair out of its processed board. Smith assembles the pieces himself, and adds the trimmings. The framework is cushioned with about 10 lb. of foam rubber that is finished with attractive slip covering. The whole works can take a ton of dead weight.

Besides savings in materials costs, Smith's chair is less than one-third the weight of conventional furniture. So it also means a saving in shipping costs.

Smith plans to market a lounge chair, and a two-piece sectional sofa, for about a third the price of conventional types. Each model will come with two optional slipcovers, one for winter, and one for summer. The covers can be easily removed for laundering.



What **YOU** can do to make the supply of Stainless Steel go further

1

Tell your supplier the exact purpose the Stainless Steel is intended for and how you plan to fabricate it. Then you will get the *right* steel for the job.

2

Minimize your scrap losses by ordering the size that will cut to best advantage.

3

Indicate, if possible, acceptable alternates in composition, gage, size and finish . . . it may speed up deliveries to you.

THESE SUGGESTIONS for conserving Stainless Steel are made to assist you during the difficult period we face today. The withdrawal of large tonnages of Stainless Steel — vital for rearmament—make it imperative that supplies

of Stainless available for non-military use be made to go as far as possible. This can't be done without the close cooperation of everyone concerned — the steel producer, the steel supplier, and you, the steel user.

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NATIONAL TUBE COMPANY, PITTSBURGH • TENNESSEE COAL, IRON & RAILROAD COMPANY, BIRMINGHAM • UNITED STATES STEEL COMPANY, PITTSBURGH
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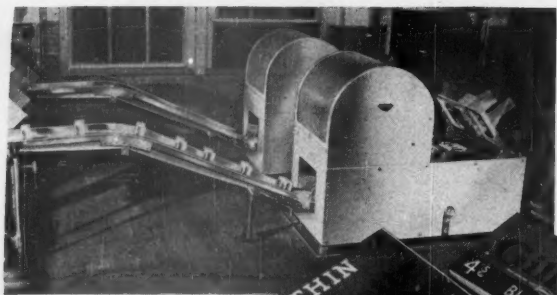


U·S·S STAINLESS STEEL

SHEETS • STRIP • PLATES • BARS • BILLETS • PIPE • TUBES • WIRE • SPECIAL SECTIONS

UNITED STATES STEEL

9-309-A



Palmer Carton Forming Machines in plant of Gillette Safety Razor Company

How GILLETTE CUTS CARTONING COSTS

The attractive, sturdy cartons illustrated are made *right in Gillette's own plant* on our Palmer Carton Forming Machines. These machines produce the cartons from inexpensive die-cut blanks and require little or no supervision while in operation. All that is called for is to keep the machine's magazine filled with blanks and to occasionally replenish the supply of glue.

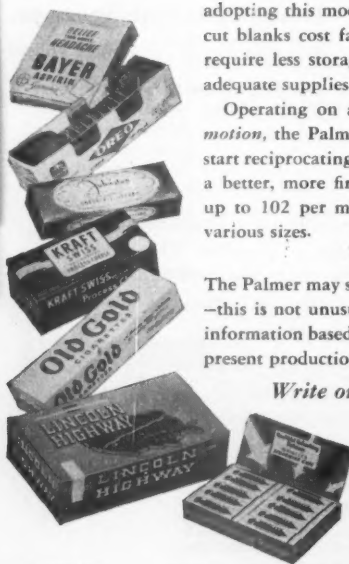
Leading package goods producers in many fields are adopting this modern, proven way to lower costs. Die-cut blanks cost far less than factory-processed cartons, require less storage space, and you are always sure of adequate supplies of cartons to meet rush requirements.

Operating on an advanced principle of *continuous motion*, the Palmer machine is free from all stop-and-start reciprocating movements. It can, therefore, produce a better, more firmly sealed carton at higher speeds—up to 102 per minute. And it is easily adjustable for various sizes.

YOUR SAVINGS

The Palmer may save you thousands of dollars annually—this is not unusual. We'll be glad to furnish detailed information based on the cartons you are using and your present production methods.

Write or phone our nearest office



**PACKAGE
MACHINERY COMPANY**
CARTON DIVISION
SPRINGFIELD, MASSACHUSETTS

NEW YORK CHICAGO BOSTON CLEVELAND ATLANTA DALLAS
DENVER LOS ANGELES SAN FRANCISCO SEATTLE TORONTO MEXICO, D. F.

PRODUCTION BRIEFS

Need a new alloy? Reconstruction Finance Corp. has a tin-antimony-lead-copper compound, called Copan, that's a byproduct of its tin refining operations. RFC recommends it for bearings, will fix its price depending on current quotations for tin and antimony.

Harvey Machine Co., Inc., Torrance, Calif., got the green light on its proposed aluminum plant near Hungry Horse Dam in Montana. It will turn out 72,000 tons per year when it starts operations some time in 1952.

A hole in the ground is the answer to testing supersonic propellers at the Dayton (Ohio) plant of General Motor's Aero-products Division. A steel cylinder sunk in concrete gives protection against props that shatter during supersonic tests. The air in the tank is pumped out to simulate the upper atmosphere and stratosphere.

Expansions in steel: Construction of Great Lakes Steel Corp.'s latest 480,000 ton-per-year blast furnace goes to Freyn Engineering Co., a Koppers subsidiary. . . . A total of 93 coke ovens planned by Republic Steel Corp., and Alabama By-Products Corp., will relieve the coke shortage in the Birmingham area. . . . Atlantic Steel Co.'s 50% expansion includes a new rolling mill and a 60-ton electric furnace.

Dielectric heating has replaced steam ovens for baking composition cork mats at Armstrong Cork Co. The dielectric process—which uses heat generated by high frequency radio currents—takes only a few minutes compared with the 6 to 12 hr. of conventional ovens.

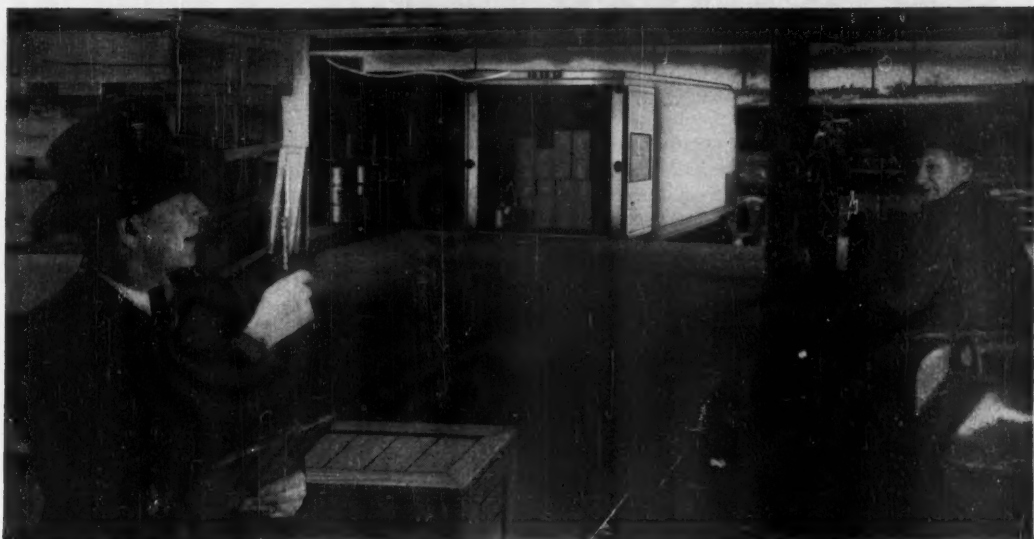
A high-speed facsimile system is used to send reference material from AEC's Oak Ridge National Laboratory to outlying research labs. It cuts down on book purchases, also prevents contamination of books in labs using radioactive materials.

A 300-oz. plastics molding machine—probably the world's largest—is the latest design of Amos Molded Plastics. J. C. Kazimier, Amos' sales manager, claims the machine could mold "an entire washing machine tub in one piece. . . or small, portable refrigerators."

Westinghouse copped a \$20-million contract for electrical equipment in the Air Force's new sonic wind tunnel at Arnold Engineering Development Center, Tullahoma, Tenn. The tunnel will check out full-sized engines, missiles, and airframe sections.

"you can get an extra half ton in that one . . .

*it's a **MAGNESIUM** body"*



One thousand, fifteen hundred, and even two thousand pounds of extra payload! That's what magnesium has meant to progressive haulers across the country. What used to be costly dead weight becomes profitable payload when magnesium, a full third lighter than any other light metal, is used in truck body and trailer construction.

Motor transportation is just one field where mag-

nesium has proved its value. Others are business machines, optical instruments, portable tools, and materials handling equipment. All have been improved—made more efficient, easier to handle, more profitable to sell by the proper use of magnesium. If you make or plan to make anything in which lightness is important, it will pay you to investigate magnesium.

MAGNESIUM

LIGHTENS THE LOADS OF AMERICA



*When lightness is important, consider
MAGNESIUM first!*

In magnesium you'll find a full third greater lightness combined with surprising strength and many other excellent properties. For full information call your nearest Dow sales office or write direct.

Magnesium Division, Dept. MG-11

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Dow Chemical of Canada, Limited, Toronto, Canada



Business Must Teach



There are two reasons why your business must teach its people the economic facts of life: 1) to safeguard the business itself; 2) to safeguard America's standard of living.

A Message from
FRED G. CLARK, General Chairman
American Economic Foundation

Without better employee morale, American production cannot hope to make up for the military drain on civilian supplies.

To bring this about business must teach its people, not in the formal classroom atmosphere, but in the spirit of "learning together" through the conference method.

Your people should know more than *"what, when, and how"* to do it: they should know *"why"* it must be done, and that, in so doing, they are obeying, not the whims of management, but the basic economic laws of life.

The fact that most employees do *not* know this today accounts for the widespread, completely artificial "class" friction that is penalizing production.

How can it be done?

For the last ten years the American Economic Foundation has concentrated on this question, and *we make the flat statement that we have the answer.*

Obviously, we have no packaged panacea all ready to be spoon-fed to employees because no two corporations could do this exactly the same way: each must hand-tailor its educational material to the specifications of its own business.

But every corporation can fit its material into the sound, tested, proved, semantic framework which the Foundation has produced.

The hundreds of "pretty good" programs already in operation can be made dependably effective when rearranged within this framework.

The first basic principle is dramatized and simplified by the formula $MMW = NR + HE \times T$.

This means that *Man's Material Welfare* equals the *Natural Resources* at his disposal, plus the *Human Energy* (muscular and mental) that he applies to them, multiplied by the efficiency of the *Tools* available for his use.

It naturally follows that the economic progress of any group of workers depends upon more and better tools put to more and better use, *not more and cheaper money.*

...or else

The second basic principle is as follows: *job security* in any modern economy requires *customer security*, which in turn, requires intelligent teamwork with management toward the production of things whose quality enables the sales department to *collect enough from the customers* to meet all of the company's costs.

The next step is to present through the use of simple arithmetic and simplified accounting language the specific truths about the specific company in terms of the employee's personal and selfish interests.

On this knowledge can be built an effective, continuous employee communications program through company magazines, posters, financial statements, letters from the president, etc.

And there is no more propaganda in it than there is in the law of gravity.

Among the millions of employees who have been exposed to these facts, we know of no case where they have been resented by labor unions or individuals.

Four Approaches Available

There are four ways in which your company can approach this material.
(None involve any profit to the American Economic Foundation.)

1. You can purchase the "Employee's Discussion Kit," which includes the Discussion Leader's Handbook. The cost is \$10, postpaid, and many corporations feel that this material supplies all the help they need to put a well-rounded program into action.

2. You can send one of your key people to the Foundation's two-day Seminar for Policy-Level Executives, which will give him a thorough knowledge of what it is all about. (Write for free booklet entitled "Management's Missing Link.")

3. You can send your training director or prospective discussion leaders to the Foundation's three-day (or five-day) Seminar for Discussion Leaders. (Write for free booklet entitled "How to Explain the Economic Facts of Life.")

4. For specialized application to cost reduction and foreman leadership, you can send your training or prospective discussion leaders to the Foundation's five-day Seminar on Cost Reduction, built around the famous Borg-Warner "Plug the Leaks" program. Developed several years ago by Borg-Warner from the Foundation's basic concepts, it has now been made available to all industry through the American Economic Foundation. (If interested, write for free booklet entitled "Lower Costs Through Human Engineering.")

Please address all correspondence relating to Seminars to Joseph E. Canning, Director of Business Relations.

Last year 193 corporations sent representatives to Foundation Seminars. The Schedule for 1951 already calls for 47 seminars in 17 cities. Others will be added wherever there is assurance of a minimum enrollment of ten people.

THE AMERICAN ECONOMIC FOUNDATION

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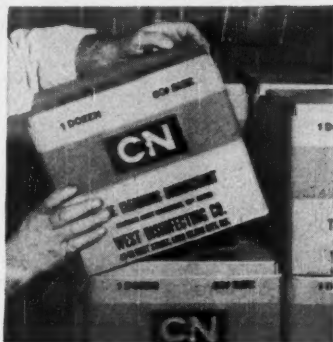
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NEW PRODUCTS



Pack 'Em Up, Stack 'Em Up

Shelton Mfg. Co. makes cartons that stack like paper cups. A lip around the top of each carton fits the indented bottom of the box above it. The interlocking feature eliminates the need for steel strappings when shipping large quantities of goods.

The cartons are made from standard corrugated cardboard and are reinforced with double bottoms. The manufacturer turns them out to customer specifications. They cost about 20% more than standard cartons.

• Source: Shelton Mfg. Co., Inc., 42-24 Orchard St., Long Island City, N. Y.

Gummed Tape Dispenser

Lectromatic Taper speeds wrapping packages by automatically dispensing and cutting gummed tape in lengths from 2 in. to 40 in.

A dial control on top of the dispenser, marked in multiples of $\frac{1}{4}$ in., sets the tape length. Finger-tip pressure on the control rolls out a precut strip.

The taper operates on 115 v., 60 cycle a.c. It's equipped with a removable moistening unit that's easy to clean. A water-temperature control unit is optional equipment. An electric foot switch is also available.

The 8-in. x 18-in. machine weighs 20 lb., has stainless, aluminum finish. It takes tape in widths from $1\frac{1}{4}$ in. to 3 in.

• Source: Moco Products, Inc., 3347 Addison St., Chicago 18, Ill.

Portable Chrome Plater

Chrome plating triples the life of cutting tools, but usually plating equipment is costly and cumbersome. Ward Leonard Electric Co., however, has a compact, portable unit for electroplating, called Chromaster, that fits on a table top.

Chromaster plates metal surfaces up to 10 sq. in. at a current density of

2 amp. per sq. in. It's powered by a selenium-rectifier power pack, comes equipped with plating-bath tank, timer, ammeter, and reversing switch. The unit plates uniformly to tolerances of less than .0001 in.

• Source: Ward Leonard Electric Co., Industrial Chrome Division, Mount Vernon, N. Y.

• Price: \$325.

• Availability: within two weeks.

Steel Pushcart

Market Forge Co. builds a stainless-steel pushcart that's specially designed to handle textiles in dyeing and finishing plants. It is highly resistant to the corroding action of chemicals used in textile processes.

The bottom of the cart is higher in the center than at the sides, to speed the draining of fluid through side openings. Sides and ends, as well as the top edge, are strengthened by reinforcing ribs of stainless steel. There are also rubber bumpers at front and back. The wheels are cushion rubber with roller bearings; but plastic, semisteel, or Neoprene wheels are available if needed.

The 72-in. x 36-in. cart is 28 in. deep, holds 2,000 lb. It's supposed to keep fabrics cleaner, thus improve their quality.

• Source: Market Forge Co., 25 Garvey St., Everett 49, Mass.



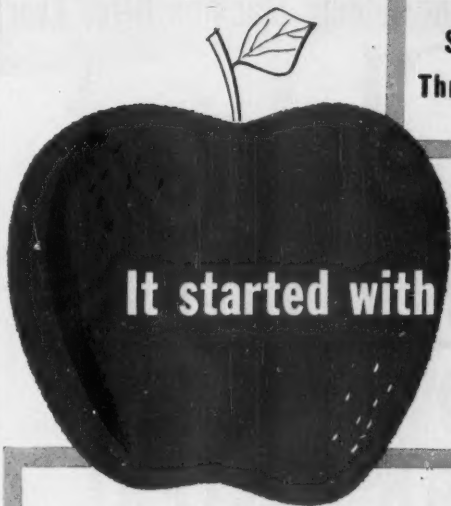
Coats Foundry Patterns

Carboline Co.'s CK, a coating for wood patterns of foundry molds, reportedly lasts up to four times as long as conventional types of coatings. In laboratory tests, measured with a durometer, CK's hardness is only 10 to 15 points below that of steel.

It hardens surfaces of soft wood patterns so that hard wood patterns often aren't needed. It also tends to reduce the dry rot of patterns stored for long periods. When coated, the wood retains its moisture content and does not weather.

A 13-lb. kit covers 300 sq. ft. of pat-

**Serving Industry
Through Hydraulics:**

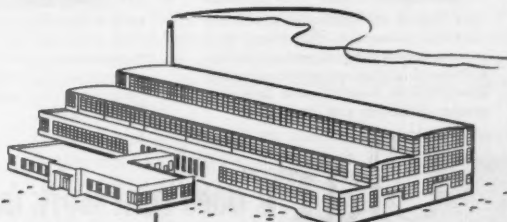


It started with an Apple...

• Back in 1877, a brand new cider-press manufacturing company opened its doors in the little Ohio town of Mount Gilead. Due to fortune and the fact that "what America needed was a good hydraulic cider press," the concern prospered and grew. Early experimentation and application of hydraulics soon opened the way into new fields and applications.

Today, seventy-four years later, the town of Mount Gilead has the rare distinction of being the "hydraulic press center of the world." In the H-P-M plants there, through continuing engineering and research, some of the country's largest metal working presses are designed and built. There, too, plastics molding presses, destined for the nation's vast plastics industry, are rolling off the assembly line. And there are die casting machines for the casting of aluminum, magnesium, zinc and brass—and a complete line of hydraulic pumps, valves and power units. In addition, many new specially designed presses to meet numerous unusual applications pass through H-P-M's engineering and manufacturing divisions.

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We make this daring offer to show you that the all-electric Clary, world's fastest adding machine, is engineered on an entirely new principle that gives it an operator's speed up to 48% faster than other makes. For you, this means more work output, lower office overhead. *Prove it for yourself!* You or your own Methods Department will be the judge. Mail the coupon now or call the Clary representative listed in phone book yellow pages.



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terns with three coats. The coating can withstand heat up to 350F.

• Source: Carboline Co., 7603 Forsyth Blvd., St. Louis 5, Mo.

• Price: \$18 per kit.

Ignition Tester

A tester for auto regulators, coils, and condensers plugs into any 110 v. outlet. Place the regulator you want to examine on top of the tester cabinet, hook up the leads, then turn on the power switch. The tester simulates conditions in an auto.

The meters tell exact operation of the cutout, voltage coil, and current-control unit, and show whether the generator is charging too high or too low. By removing the cover of the regulator, you can make adjustments while it is being tested.

Dials, switches, and controls are mounted on a sloped Bakelite panel. The metal cabinet stands 34 in. high, has an easy-to-wash finish that withstands rust and corrosion.

• Source: Crumbliss Mfg. Co., 3011 N. Cicero Ave., Chicago 41.

• Price: \$375.

NEW PRODUCTS BRIEFS

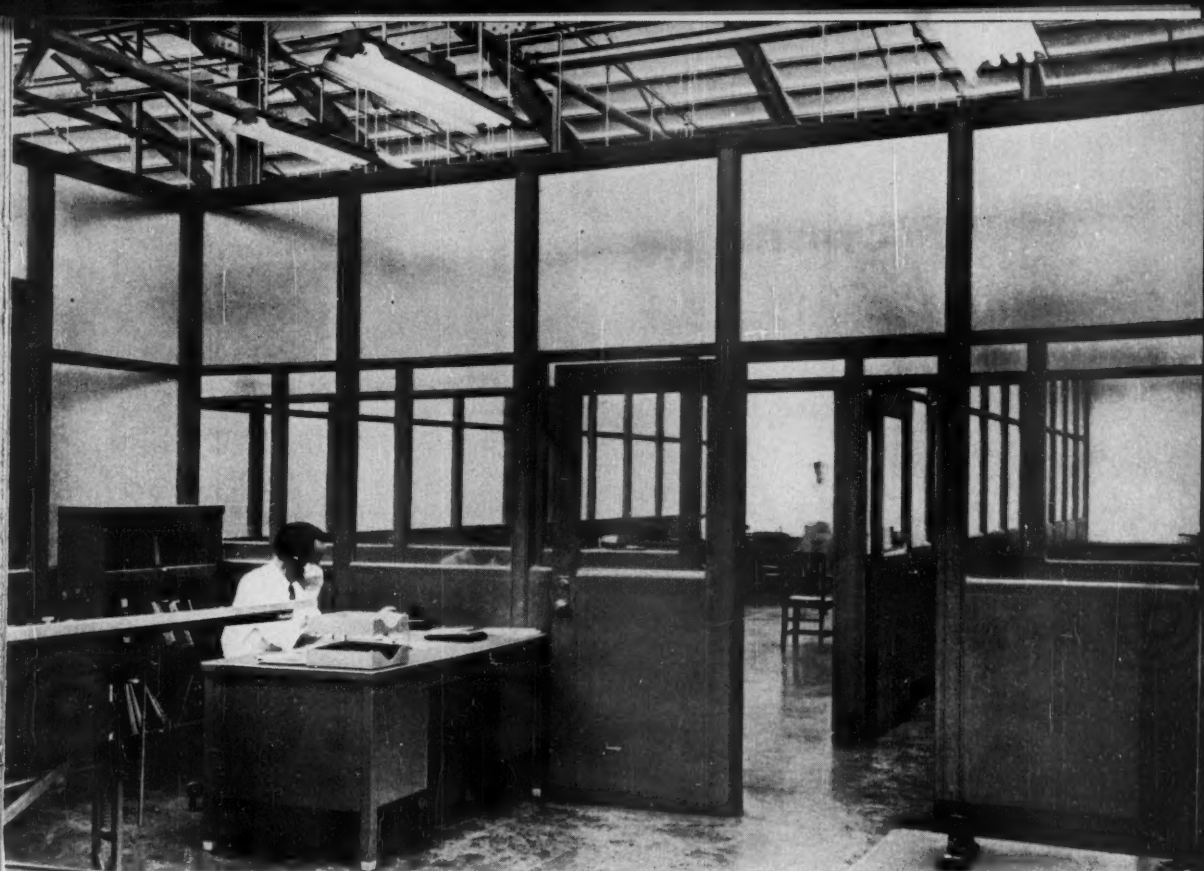
Loading a truck is easier with the Rite-Hite Loading Dock, a hinged metal ramp that mounts on the edge of a shipping platform. The ramp rests on the back of a truck, can be adjusted horizontally or vertically. Karl A. Herman Co., 412 Fuller Ave., N.E., Grand Rapids, Mich., distributes it.

Air Dry Tumbler dries 130 lb. of dry-cleaned cloth in 25 min., uses about 3 hp. of steam an hour. Made by Driair Process Machinery Co., Philadelphia.

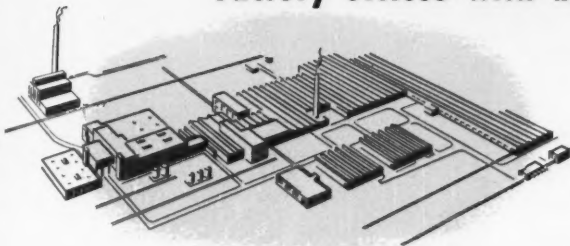
Aluminum foil nameplates that fasten to any smooth surface without screws or rivets, are available from C&H Supply Co., Metal-Cal Division, Seattle, Wash. They're backed with a high tensile bonding material, come in five colors, resist corrosion.

Radioactive surfaces can be decontaminated with Versene, a chemical compound made by Bernsworth Chemical Co., Framingham, Mass. Used for years by the textile industry to purify chemicals, Versene dissolves radioactive metals so they can be rinsed off with water.

Mercury can be cleaned in 5-lb. lots with an oxifier and filter made by Bethlehem Apparatus Co., Hellertown, Pa. The units are tiny and light.



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Today's competitive conditions require the highest efficiency in plant production and executive departments.

Hauserman *Movable Steel Interiors* are used by thousands of industrials in every type of business, to segregate operations, confine noise, and streamline production. They help make every worker more

expert and efficient. The photo above shows a typical Hauserman installation in the American Enka Corporation's new plant at Lowland, Tennessee, (shown at left).

Hauserman *Movable Steel Interiors* can be relocated over and over again, into any new floor layouts required by changed factory procedures. Upkeep is down to an absolute minimum, as Hauserman *Movable Steel Walls* can be kept clean and bright with occasional soap-and-water washing. Hauserman finishes won't chip, crack, warp or blister.

Discuss your specific factory requirements, from president's office to shipping room, with your nearest Hauserman office or representative, or write *The E. F. Hauserman Company*, 6920 Grant Avenue, Cleveland 5, Ohio, for new, fully-illustrated catalog.



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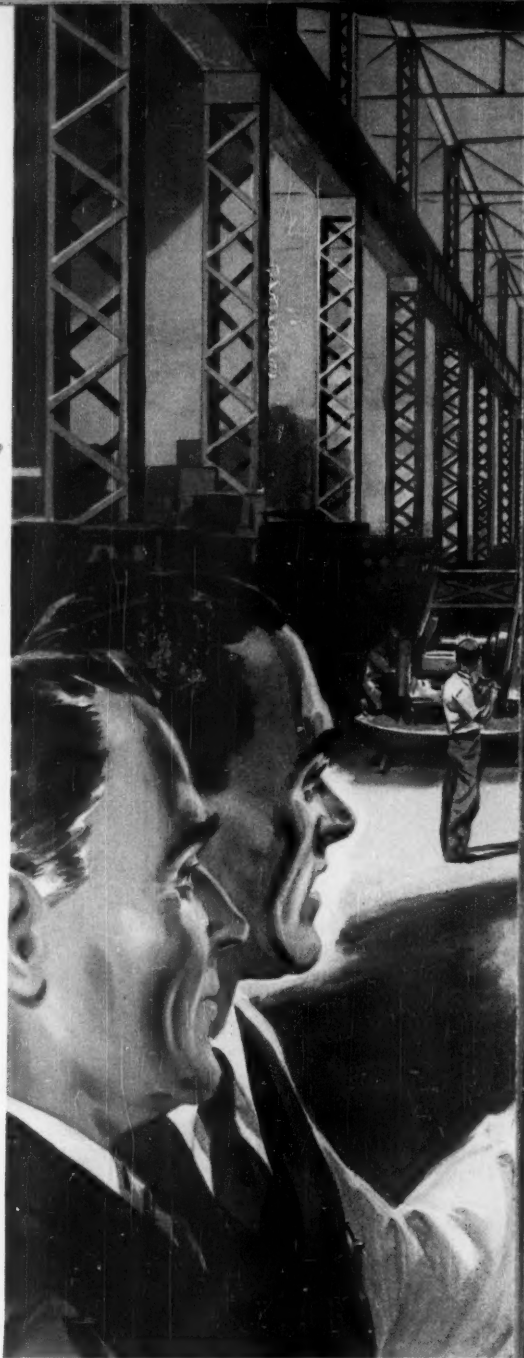
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MARKETING



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SILBERT OF FEDERATED

"The factory worker is now a customer."



MacGOWAN OF FIRESTONE

"Today's luxury is tomorrow's commonplace."



NYSTROM OF COLUMBIA

"Dollar volume won't mean anything."



NIELSEN OF A. C. NIELSEN

"Self-service . . . supermarkets . . . suburbs."



NEAL OF FEDERAL RESERVE

"Stimulation to technological development."

Retail Experts Looking at the Future

Nearly all of them see a higher average of living standards, a slow shift to soft goods, fewer stores, migration to the suburbs.

Start with the assumption that the U.S. is going to live in a state of mobilization for a long time to come—war or no war. For years we will have price controls, shortages of many consumer goods, manpower shortages, stiff credit controls, higher taxes, maybe rationing.

How will such a near-wartime economy affect the marketing picture? What major marketing trends will develop in the next few years? What permanent effects will they have on the country?

To get some savvy views on these questions, **BUSINESS WEEK** has gone to six of the top marketing experts in the country:

Malcolm P. McNair, Lincoln Filene Professor of Retailing, Harvard Uni-

versity Graduate School of Business Administration.

Myron Silbert, vice-president of Federated Department Stores.

Thomas G. MacGowan, director of the Marketing Research Dept., Firestone Tire & Rubber Co.

Paul H. Nystrom, professor of marketing, School of Business, Columbia University, and president of the Limited Price Variety Stores Assn.

A. C. Nielsen, president of A. C. Nielsen Co.

Alfred C. Neal, vice-president, Federal Reserve Bank of Boston.

I. Higher Living Standards

The experts were almost unanimous in their conviction that mobilization is

bound to spell a higher standard of living for most people. They think that increased purchasing power will mean a constant process of uptrading—buying better goods. They see real gains, not just paper gains, in income.

Silbert ranked this trend first in importance. He reasons this way: Despite a wage freeze, longer hours of work and better jobs mean higher incomes. Even after taxes, practically everyone will be ahead income-wise—especially the factory worker. After the emergency is over, his income may shade off, but it won't go back to the pre-Korean level. The factory worker's horizon will be broader. He'll have the savings, and the nation will have the capacity. So higher retail sales and living standards are in the cards for the indefinite future.

• **More and More**—Silbert sums it up this way: "The factory worker is now a steady customer for appliances and



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The MHS Junior Monoveyor provides a means of handling light and medium loads overhead more effectively and more economically than with the standard conventional overhead conveyor. It may be laid out to meet any specific manufacturing, transportation or storage requirements where loads and distances are appropriate.

It is constructed of standardized precision made components, mass produced for maximum economy. The selection of these components is sufficiently wide to permit full flexibility.

Line friction has been reduced. Inclines may be steeper and minimum allowable radii are substantially less than they are with the standard conventional overhead conveyor.

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**Mechanical
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other durable conveniences—and he's going to be wanting more and more."

MacGowan puts it another way: "The luxury of today is always the commonplace of tomorrow. This is especially true of war periods. People not only acquire more expensive tastes, but they tend to stay—after the war—in high-enough income brackets to satisfy them."

Neal thinks that increased output per worker—hence a greater over-all production—will make a higher standard of living possible: "A defense economy provides a tremendous stimulation to technological development. I think we can superimpose a great deal of war production upon our present or even expanded levels of civilian production."

• **More Inflation**—The dissenter from this point of view is Nystrom, whose main concern for the future is inflation. He thinks that the chief cause of inflation over the past five years has been the failure of output per worker to keep up with wage gains. He sees more inflation coming, doesn't think the government will take firm enough measures to stop it. Nystrom figures that if inflation continues at the same rate it has been going since the last war, it will cut the dollar to half its already low value in another five years.

Therefore, Nystrom says: "We can have a lot of dollar volume at the retail level, but it won't mean anything. While dollar volume goes up, actual tonnage will go down."

On the other hand, Neal takes a middle ground on inflation: "If we've learned anything, it is that we must raise taxes more than we did last time to mop up a lot of that loose cash. Of course, there will be many factors, mainly political, that will undoubtedly prevent us from nipping off the extra cash altogether. One could well argue that it shouldn't be all nipped off. A slight inflation—provided that it remains slight—is stimulating."

II. Retailing Patterns

During the last war, there was a decline in the number of retail stores in practically every line. Proprietors went into military service or into war plants. There were not enough goods to make all enterprises profitable. Newcomers couldn't get into business.

This trend will be repeated again, thinks the panel of experts. And you will also see a repetition of other similar patterns, though perhaps in less marked form. Says MacGowan:

"The tendency will be to get back to 'fence-jumping' in retailing—stores selling things that are in no way related to their regular lines merely because they have to have something to sell. Auto dealers selling toys in the last war provide a good example.

"We will also see more merging of supermarkets and drugstores such as there has been in California in the last year or so. Combining of appliance stores and radio-TV dealers will be a natural. Other hybrid types may develop."

• **Chain Losses**—The observers likewise think that another World War II pattern will repeat itself—gains by independents at the expense of chain stores. There were a number of reasons for this. An important one was the personal contact; as Neal puts it, "The butcher who saves a decent cut of meat for his friend Mrs. Whosis is the butcher to whom Mrs. Whosis will continue to go."

Perhaps even more important is the factor cited by MacGowan. A major appeal of the chains is price. But with income at a high level, a saving of, say, 2¢ on a can of beans doesn't lure anyone very much.

Nielsen, however, isn't sure that the pendulum will swing as far in favor of the independents this time as it did in World War II: "The trend to self-service since the war, location of many more supermarkets in the suburbs, better methods, and greater administrative efficiency may enable the chains—both national and regional—to hold onto a larger share of the business than they did before."

You will also probably see a return of another World War II pattern: The strengthening of independent wholesalers vs. direct sellers. The panel points out several reasons for this shift: (1) The bulk of goods going through manufacturer-owned outlets are durables, which will dwindle away now; (2) chains, which buy directly, lose some of their relative importance; and (3) manufacturers prefer to let independent distributors take marketing problems off their necks.

III. Manpower Squeeze

All the observers addressed themselves to the problem of the manpower squeeze that once again threatens distribution. McNair summed it up this way:

"The pressure on manpower, which came relatively late in World War II, will come early this time. Distribution is already beginning to feel it. Wholesalers and retailers will probably have to get along with fewer employees. Obviously manpower squeezes will result in the curtailment of many consumer services and conveniences. It will intensify the movement towards self-service and preselection, and will increase the effort to substitute mechanical devices for human effort."

• **How Much?**—There is some difference of opinion as to how tight the squeeze will be compared to the last

war. Nystrom thinks that the situation may well be worse for retailers this time because we are starting on a higher plateau of employment. He looks for retailers to lose about half their present employees to war industries and the services.

Others are not so sure the pinch will be this severe, unless we have an all-out war. But they are certain that retailers will once again start tapping marginal workers. And they think that Negroes and other minority groups will again find the doors open to them.

MacGowan adds an interesting footnote to this: "The situation may last much longer than it did in World War II; we may have a sort of semipermanent garrison state. As a result, the effects of this shift of employees may become more lasting."

IV. Geographical Shifts

The marketing experts see a speedup of a trend that has been going strong for quite a while—the movement to the suburbs. It may be slowed by the shortage of materials, high construction costs, and a scarcity of retail properties. But it will go on.

Silbert thinks that from now on the stress will be on the far-off suburbs rather than the ones closer to town. But he doesn't base his reasoning on fear of the atom bomb. He thinks land near-in is too expensive for mass development. McNair thinks that this continued decentralization of cities will require the government to permit the construction of new distribution facilities to keep up with the out-of-town growth.

• **More Inland**—Over-all, there will probably be a population shift away from the seaboard areas vulnerable to air or sea attack. The biggest gainers, according to the experts, will be the Southeast and the Southwest. Natural gas supplies and cheaper labor are other lures that will drag industry there.

Says Silbert: "The two areas will continue to catch up, income-wise, with the rest of the country. It will mean prosperity for the farm boy in the factory and for the one who stays home cashing in on bigger demand. It will also mean the upgrading of Negro workers."

V. Shifts in Demand

The panel was generally agreed that you will see a shift of demand out of hard goods into soft goods. But at least two of the experts warn that the shift isn't coming as soon as some people think. Silbert, for one, thinks that too much emphasis is being put on a slam-bang shift to soft goods in 1951. He points out that durables will still be available. A lot of cash will also go into savings, he thinks. Moreover, he

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argues that per-capita use of soft goods "picks up steadily—but slowly."

Neal agrees with this. "We are not yet going to have a complete shutting off of the production of hard goods. Also, inventories of hard goods are high. Therefore, a lot of loose cash in the immediate future—say, through 1951—will go for durables rather than nondurable luxury items. Later on, the luxury items will very likely get a heavy play."

• **Income Shift**—McNair concurs with Neal's point: "We saw the silk shirt craze of World War I, and the booming jewelry business of World War II. Undoubtedly some similar phenomena will appear in the years ahead."

Nielsen likewise points out that when you shift "millions of low-income families from marginal incomes to much higher earnings" you bring about important changes in eating habits. That's one of the major reasons for the meat shortage of World War II—and, of course, the restaurant boom.

Theater TV Jitters

FCC hearings on allocation of time on AT&T's cable have movie industry squirming. It may be pushed out of picture.

The motion picture industry is biting its nails over a set of FCC hearings on television. Starting Jan. 15, the Federal Communications Commission will get ready to rule on allocation of time on American Telephone & Telegraph's coaxial cable (BW—Oct. 14 '50, p26).

Primarily the hearings involve TV, but theater people have a big stake in the issue. They're afraid that there won't be enough cable to go around, and they'll be the losers. That could wipe hopes for theater TV right off the screen in some areas.

• **Impetus**—DuMont laboratories and American Broadcasting Co. touched off the firecracker last fall. They protested to FCC that AT&T had given National Broadcasting Co. and Columbia Broadcasting Co. the lion's share of time on the cables.

AT&T owns the coaxial cable used to relay TV broadcasts—and maybe soon to relay theater TV. In cities having only one TV station, the cable can handle a limited number of programs. The station, or AT&T, may handle one network's programs most of the time or even exclusively. DuMont and ABC want to give the four networks impartial coverage.

• **Problem**—Theater men want to make sure that the settlement still leaves some room for them. Theater TV, like broadcast TV, will have to rely

mostly on AT&T and Western Union facilities—though what they really would like is for FCC to assign radio frequencies expressly for theater TV; that's the cheapest and most practical method of operation; hearings on this method have been ordered.

• **TV Hopes**—Worried over falling box office receipts (BW—Nov. 25 '50, p26), the industry is leaning toward TV as the solution to its problem. Technical bugs have been worked out pretty well. And RCA predicts that the price of projection equipment could be cut 50% once production gets rolling.

Theatre Owners of America, 20th Century-Fox, and National Theatres Corp. will attend the hearings, to guard the interests of the movie industry.

• **FCC in Way**—Biggest hurdle in setting up theater TV is FCC itself. The industry isn't used to working under federal jurisdiction. And few of its members talk FCC language.

Right now the industry is convinced that a smart battery of lawyers and a little political pressure could fix things up. Some TV network officials have reasons to believe otherwise.

• **Two Schools**—The catch is that the industry views theater TV as a life preserver, to rescue it from its box office slump, while FCC emphasizes the public service angle.

So far, little of the programming carried by theater TV would merit a gold star on a basis of public service. Most of the programs have been available on home TV receivers. A recent stunt was to take newsreel telecasts off the air and show them in two New York City theaters, complete with commercials.

On the other hand, theaters have showed U. N. sessions to school children with good results.

MARKETING BRIEFS

Drug scoreboard for 1950: Total retail sales will probably hit 1949's \$3.6-billion, or top it. Wholesalers were 8% ahead of the \$1.6-billion chalked up in 1949.

• **TV trade-ins** will create a second-hand market this year, according to John Meck Industries. Reconditioned sets will ease the short supply caused by material shortages.

• **Voluntary price curbs** may spell the end of low-end items for retailers' shelves. That's the word from National Retail Furniture Assn.

• **You won't go dry** in 1951, according to Park & Tilford, Inc., because there's plenty of domestic liquor for distillers' warehouses. But deliveries may be slow.

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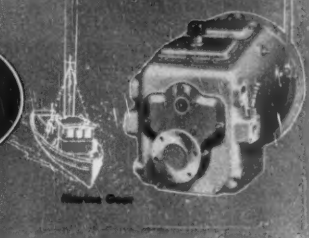
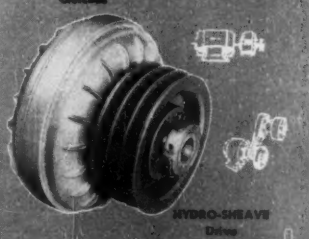
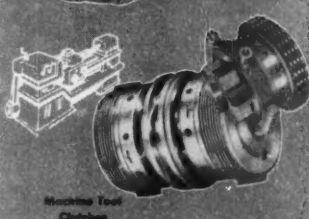
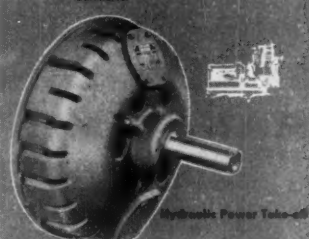
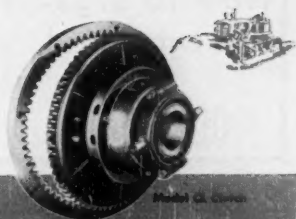
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Income per spending unit

Under \$1,000
\$1,000-1,999
\$2,000-2,999
\$3,000-3,999
\$4,000-4,999
\$5,000-7,499
\$7,500 and over

How each income group breaks down in terms of net worth

Negative	\$1,999	\$1,000-4,999	\$5,000-24,999	\$25,000 and over	Not ascertained
8%	43%	20%	24%	3%	2%
12	42	18	23	2	3
10	30	28	26	4	2
8	21	29	36	5	1
6	16	28	43	5	2
3	5	23	51	14	4
0	1	6	35	55	3

What's U.S. Consumer Worth?

Federal Reserve Board finds that despite heavy debt, four out of 10 "spending units" had net assets of \$5,000 or more. They are broadly distributed among all income groups.

Ever since the last war, consumers have been buying homes, cars, and goods of all kinds at record rates. To finance them, they have piled up the biggest consumer debt in history. They have dipped liberally into constantly shrinking savings.

This is one side of the ledger. But what about the other side? How does the whole consumer balance sheet stand?

• **Tilted, But Not Sagging**—The Federal Reserve Board has just added it up. FRB has drawn the data from its 1950 Survey of Consumer Finances (BW—Jul.15'50,p26). This new Part V of the work deals, for the first time, not only with consumers' liabilities and assets, but also with the bookkeeping concept of peoples' net worth. To find this, the board totaled the consumer's major assets—his bank deposits, government bonds, autos, homes, corporate stocks, farms, and crops. Then it subtracted his debts.

Viewed from this standpoint, the consumer's position takes on a different aspect. True, his debts are heavy. But as you can see from the table above, he has a substantial net equity in personal resources.

• **Debts Covered**—Here are some of the major findings of the survey:

• Despite the fact that one-third of all spending units spent more than their income in 1949, relatively few units found themselves owing more than the value of their assets. This is true even of the lower income groups. Note the first column in the table. (The Federal Reserve Board defines a spending unit as: "All persons living in the same dwelling and belonging to the same family who pool their incomes to meet their major expenses. Some families contain more than one spending unit. . . . At the beginning of 1950

there were approximately 45.2-million family units and 52.0-million spending units. . . .")

• For most consumers, assets exceeded liabilities by a substantial amount. Approximately four out of 10 spending groups had a net worth of \$5,000 or better.

• Assets were distributed broadly among all income levels. Note that in every income group at least a fourth of the spending units have \$5,000 net worth or better.

• Approximately half of all consumer spending units were completely free and clear of debt.

• **New Insight**—What is the significance of these findings? The Board admits that they are tentative, but makes this point:

"One measure of the financial resources of the consumer is his net worth—the excess of his assets over his liabilities. Net worth reflects the net accumulation of savings over a period of years—both the low incomes and other financial reverses of some years, and the high incomes and savings of other years. Information on the net worth of consumers, therefore, provides additional insight into the operation of our economy over a period of time."

• **Debt Climbs With Income**—The survey finds a relationship between debt and the income and assets. The higher you go up the income ladder, the more debt you are likely to acquire. Thus "consumers without debt were relatively most numerous among lower income groups." Conversely, the tenth of the population with the highest incomes owed about a quarter of all consumer debt reported.

The board is cautious, though, in making generalizations. It says that the "relationship between net worth and saving is not simple." It is com-

plicated by such factors as income, age, marital status, and investment opportunity. Take, for example, the fact that younger married couples account for the majority of cases where married couples had negative net worth. As you might expect, the older a man gets, the more assets he acquires. So more than half of all consumer spending units headed by persons 45 years or older were worth at least \$5,000 net. Conversely, negative net worth was most frequent among the young consumer spending units, those headed by persons under 35.

• **Dissaving**—Here are some of the preliminary conclusions that the board reached on "dissaving"—spending more than your income:

For the most part, the same people aren't in the hole year after year. A substantial proportion of spending units—27% to 34% in postwar years—have dissaved yearly. But "different consumers have dissaved . . . in each of these years."

The people who do dissave are not completely without resources. Six out of every 10 spending units that dissaved in 1949 had a minimum net worth of \$1,000 in 1950.

Even among those who were unemployed at the time of the survey, it was found that nearly half were worth at least \$1,000.

• **No Rulebook**—The board warns that you can't apply the findings of the survey too strictly. In figuring up total assets, for instance, the researchers had to omit some very important items—cash value of life insurance policies, currency on hand, holdings of bonds other than U. S. government, and household possessions. There are practical reasons for these omissions. People are reluctant to disclose how much cash they have on them; they don't know the reserve value of their insurance policies; the value of household possessions is tough to figure.

This means that you can't use the findings as an exact guide. In many cases the restricted definition of net worth shoves a spending unit into a lower net worth bracket. For example, it counts instalment debt as a liability, but only puts cars—not other hard goods bought on instalment—into the asset column.

• **Modest Capitalists**—Also, people tended to understate the value of their holdings. Projecting the survey sample, you get a national figure of about \$65-billion for the assets covered by the survey. But Treasury and other official statistics put the actual figure at something like \$128-billion.

Nevertheless, despite these shortcomings, the board feels that it has made headway in exploring "an area of consumer finances about which very little is known."



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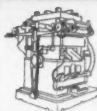
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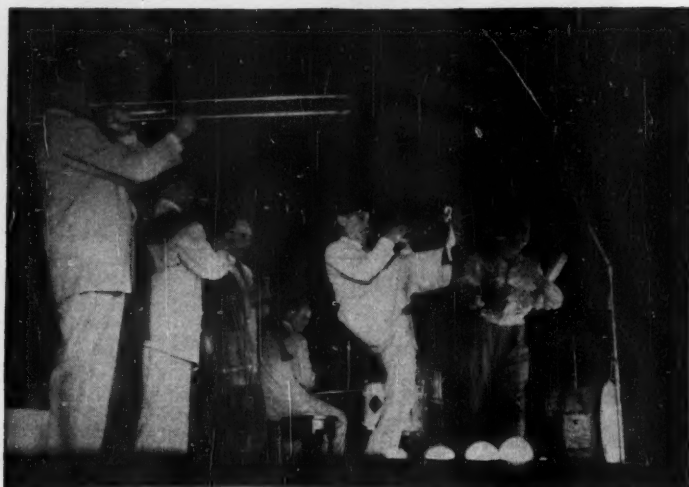
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PROMOTION



STARS AND MUSIC: Mickey Rooney and Sharkey's Dixieland Band shine for the Hadacol Good Will Caravan. It toured 18 southern cities, sold \$3-million worth of Hadacol.



BEAUTY, BUFFOONS, AND BOTTLE give LeBlanc's potion a strong sales punch. Admission to the show: one boxtop. Show was just one of LeBlanc's merchandising gimmicks.

If It Breaches, It's a Salesman

That's the way Sen. LeBlanc figures when he sells his patent medicine. His unusual methods sold \$20-million worth of Hadacol in 1950. If EPT spares him, he aims for \$75-million in 1951.

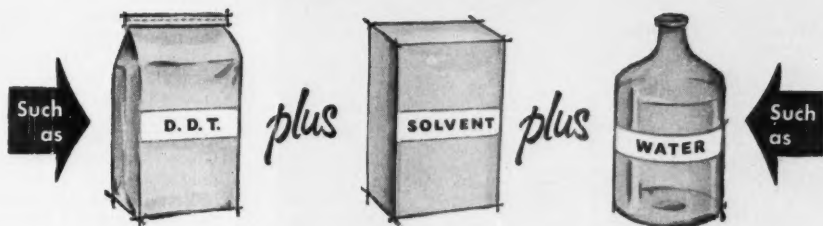
If in 1944 you had told Dudley J. LeBlanc, state senator of Louisiana, that the unlikely looking brew he was sampling in his garage would gross him \$20-million in 1950, he probably would have been only mildly surprised. To a person who surely rates as one of the big

medicine men of his age, that's the way things happen.

• **Strong Medicine**—Under the name of Hadacol, the potion that LeBlanc whipped up to doctor his arthritis has swept the South like a whirlwind.

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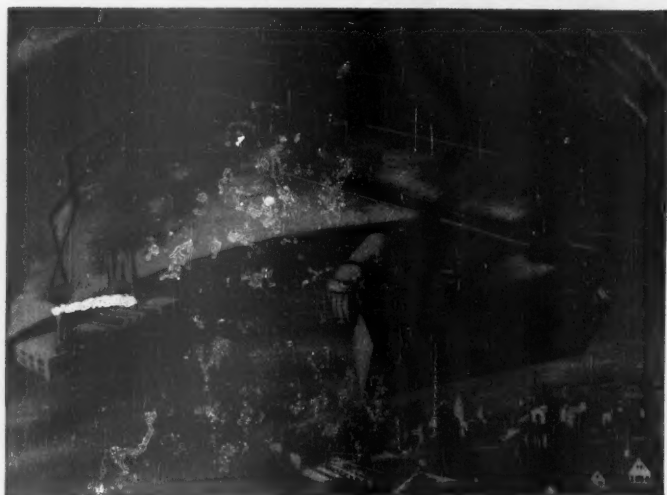
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PHENOLIC PLASTICS THAT FIT THE JOB

supplement" has outgrown six plants. Currently, LeBlanc, president of LeBlanc Corp., is operating two big plants in Lafayette, La. He has just bought 10 acres on which to build four more. He plans a big West Coast plant for early this year; this, he says, will bring his total sales potential to \$50-million a year. He reckons his 1950 profits—before taxes—at between \$5-million and \$6-million. With 1950 sales at \$20-million, he has set his 1951 sights for \$75-million.

"I understand," says LeBlanc, "that today we outsell any other drug product in the world." Yet, to do this, Hadacol is marketed in only 22 states, isn't exported at all. "In the last 18 months, monthly sales of Hadacol have shown a 2,500% increase," he goes on dreamily. Grocery stores retail almost as much as drug stores.

Yet there's nothing spectacular about the makeup of the fishy-smelling brew. It's a concoction of vitamins, minerals, and a dash—12%—of alcohol. What makes the story of Hadacol read like a page out of Mark Twain is the character of the peppery little man who promoted it to a million-dollar business.

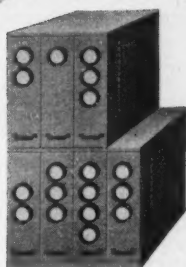
● **On His Own**—As American as Mississippi mud, LeBlanc is a Cajun, claims descent from the Rene LeBlanc who figures in Longfellow's *Evangeline*. He was born 57 years ago. His parents were poor, his family large. Since 13, he has had to shift for himself.

After serving as artillery captain in World War I, he finally broke into the patent medicine business, as salesman. He lost all his money in the stock market in 1937. In 1938, he began manufacturing Happy Day Headache powder. (Hadacol is a contraction of Happy Day Co.)

His sales gusto is enormous. He sees



MASTERMIND LEBLANC does his bit to boost Hadacol, LeBlanc, and the South.



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potential salesmen in parrots, carrier pigeons, and small boys. With superb confidence in himself and his Hadacol—"a very, very meritorious product"—he's not in the least afraid of spending money before he's got it.

• **The Shadow**—Today, the only thing he is afraid of is an excess-profits tax. Since almost all his company profits were made in 1950, a hefty EPT could wipe him right off the business slate. It would leave him nothing to spend on advertising.

• **Potion Promotion**—And advertising is meat and drink to Hadacol. It was two and a half years ago that he scraped together a meager \$2,500 to put on an all-out advertising campaign. He went to 10 radio stations and 10 newspapers with this proposition: He would pay in advance for 10 days if the medium would extend him credit for 20 more days of advertising. Most of them played ball with the senator.

By November, 1949, "Cousin Dud" had another proposition. "Boys," he said to his advertising men, "we're going to spend \$375,000 on advertising between now and the first of the year." In the first three weeks of 1950, LeBlanc Co. sold \$1-million worth of Hadacol. For the year 1950, the advertising budget was \$7-million.

• **Greatest Show**—Last summer, Hadacol really crashed the limelight. Routine advertising had begun to pall on LeBlanc. So he dreamed up the "Greatest Medicine Show in the World"—a Hadacol Good Will Caravan (pictures, page 72). This was a 100-vehicle motorcade, touring 3,800 miles to put on a series of one-night stands in 18 southern cities and towns. The price of admission: one Hadacol boxtop.

The lineup was impressive: 70 trucks, most of them loaded with Hadacol to make their regular deliveries; 25 automobiles; two air-conditioned buses for the performers; one photo-lab truck; three sound trucks; two beauty-queen floats; three airplanes; two calliopes.

Some top notch entertainers—Mickey Rooney, Chico Marx, Burns and Allen, Carmen Miranda—gave the audience their boxtop's worth. The crowds loved it. Attendance averaged about 10,000 a night. Demand for boxtops was so great that the rumor spread in one town that they were being counterfeited.

The project cost the company \$400,000. But that was peanuts to what it brought in. A reliable trade source said that the tour itself sold \$3-million worth of the elixir.

• **Christmas Gift**—No sooner was that one over than the tireless LeBlanc was working up another project: Christmas parties in some 500 moving picture theaters. Once again the admission was by boxtop. The kiddies who came got a toy, saw a show—and LeBlanc

himself was decked out as Santa Claus.

Next year, LeBlanc plans another medicine show tour. Only next time, he thinks, the show will travel in a streamlined train, cover such cities as Philadelphia, Chicago, Cleveland, St. Louis, Kansas City.

• **Junior Trade**—LeBlanc makes no bones about catering to the pig-tail trade. There are premiums for boxtop collectors; a four-color Captain Hadacol comic, in which the superman hero gets into a tight spot, drinks Hadacol, then trounces the villain.

Nearly 2-million youngsters hold "Captain Hadacol Credit Cards." The card holder shows the card to his druggist, gets a bottle of Hadacol on credit. Then he peddles this from door to door, takes the money to the druggist to buy another bottle. He gets to keep the boxtop.

• **Feathered Friends**—Probably no one has pressed more varieties of creatures into a sales campaign. Take the case of the parrot. LeBlanc advertised in 150 U. S. newspapers for a parrot that could learn to say "Polly wants Hadacol." The winner will tour the nation in a gold cage; stay at the best hotels.

Or take pigeons. LeBlanc plans to train 1,000 carrier pigeons to fly to Lafayette. The birds will be shipped to big Hadacol distributors, who will release them with orders for Hadacol.

The bird that gets to Lafayette in the best flying time will get a life annuity of choice pigeon feed and, to quote LeBlanc, "a beautiful lady pigeon for a girl friend." The sponsors will get a \$1,000 prize.

• **Dixie Crusade**—Part of LeBlanc's strength grows from his conviction that what is good for him is good for Louisiana. His crusade to promote the LeBlanc fortune ties conveniently into a crusade to industrialize the South.

Thus all along the good will tour, movies were taken. These will be shown all over the nation, to induce industrialists to come set up shop in the South.

• **Governor Next?**—And, naturally, the good will caravan didn't hurt LeBlanc's political aspirations any. In fact, some observers see the whole show as a big electoral campaign for the governorship of the state.

• **Worries**—LeBlanc admits to a few worries, besides the ever threatening excess-profits tax. A possible chemicals shortage is one. Bottleneck No. 2 is bottles. Hadacol comes in two sizes: one sells for \$1.25, the bigger for \$3.50. There's some talk that a bottle manufacturer may move to Lafayette to keep Hadacol supplied.

LeBlanc lays his own tireless energy to the fact that he drinks Hadacol himself. Come tough production obstacles in 1951, he'll probably take a quick swig and vault right over them.

Rural families are the BALANCE OF POWER

At Cash Registers — At Voting Machines



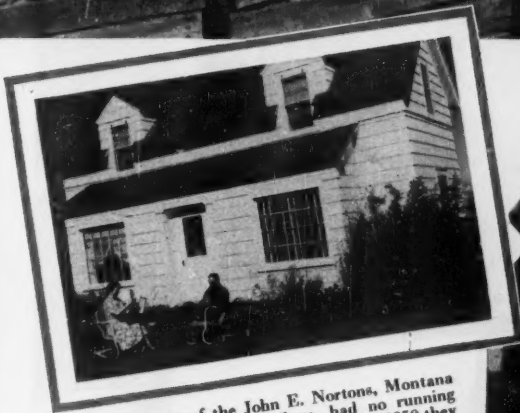
Michigan Country Gentleman subscriber Merl Boysen (left) influences better farming and better living throughout his section. He operates 4 farm businesses: a several-hundred-acre vegetable farm, a country supermarket with \$200,000 annual volume, a mint distillery, a fertilizer business.

Rural families spend 1 out of every 3 retail dollars . . . elect 3/4ths of the legislatures, 2/3rds of Congress!

Again 1950 showed how rural votes swing the elections. Again manufacturers who advertised in the farm market reaped profitable new sales!

And again advertisers used more space, invested more dollars in Country Gentleman than in any other big farm magazine. They know it reaches the most prosperous, influential families throughout Rural America—with greatest impact, proved by a recent nationwide survey. They know, too, that dealers in all lines say "Country Gentleman packs more selling power with our best rural customers."

Nearly 7,000,000 of these key people, in 2,300,000 homes, will see your story in Country Gentleman—the best-read magazine in the one basic market no other kind of magazine effectively reaches!



The farm home of the John E. Nortons, Montana Country Gentleman subscribers, had no running water, electricity or bathroom in 1936. By 1950 they had completely remodeled with all modern utilities.



George Anderson, Country Gentleman rancher, travels 30,000 miles a year to help "thirsty" neighbors. President of Irrigation Districts Association of California, he has led in bringing life-giving water to 5 million farm acres. Mrs. Anderson and family make frequent shopping trips to nearby towns and San Francisco.

GREATER POWER TO MOVE PEOPLE GREATER POWER TO MOVE GOODS

Read more, use more, liked more by 2,300,000 prosperous families throughout Rural America.



Thome Johnson, Nebraska Country Gentleman subscriber, started with 20 acres, now owns 1060, manages 1380 more. This snapshot was made in France when Mr. Johnson, one of the "26 best farmers in the Midwest," toured Europe investigating farming conditions.

PERFECT for babies



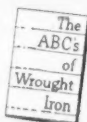
but a peril to the wrong PIPE!

Here's a "strange-but-true" item that might be costing you money. Distilled water,—so pure and wholesome it is given to babies, used to mix medicines, put in storage batteries, utilized in other places where top-purity is a "must" . . . is one of the worst enemies of pipe.

The repair bills on condensate lines in your plant or buildings may already have made you fully aware of this strange fact. Fortunately, there's a proven solution to the problem—use Byers Wrought Iron pipe. Many users, plagued by excessive failures, have switched to wrought iron and have increased useful pipe-life two, three, and four times.

Corrosion costs you more than wrought iron

Your piping system is only one of the many applications where corrosion costs more than wrought iron. For a brief "how-where-why" story, ask for the ABC's of Wrought Iron. Write A. M. Byers Company, Clark Building, Pittsburgh, Pa.



BYERS
WROUGHT IRON

MANAGEMENT



NIGHT SCHOOL FOR BUSINESSMEN in Racine, Wis., helps industries mold top management personnel. Text books are actual case histories. Students begin by . . .



BONING UP. In this case, potential company presidents go over the record of Chapman Gear Co., fake name for a real concern. Aim is to . . .

Teach Executives to Think

Every day you can find a lot of companies asking themselves questions like this:

"Jones was a fireball as sales manager. What happened to that talent when we made him a vice-president?"

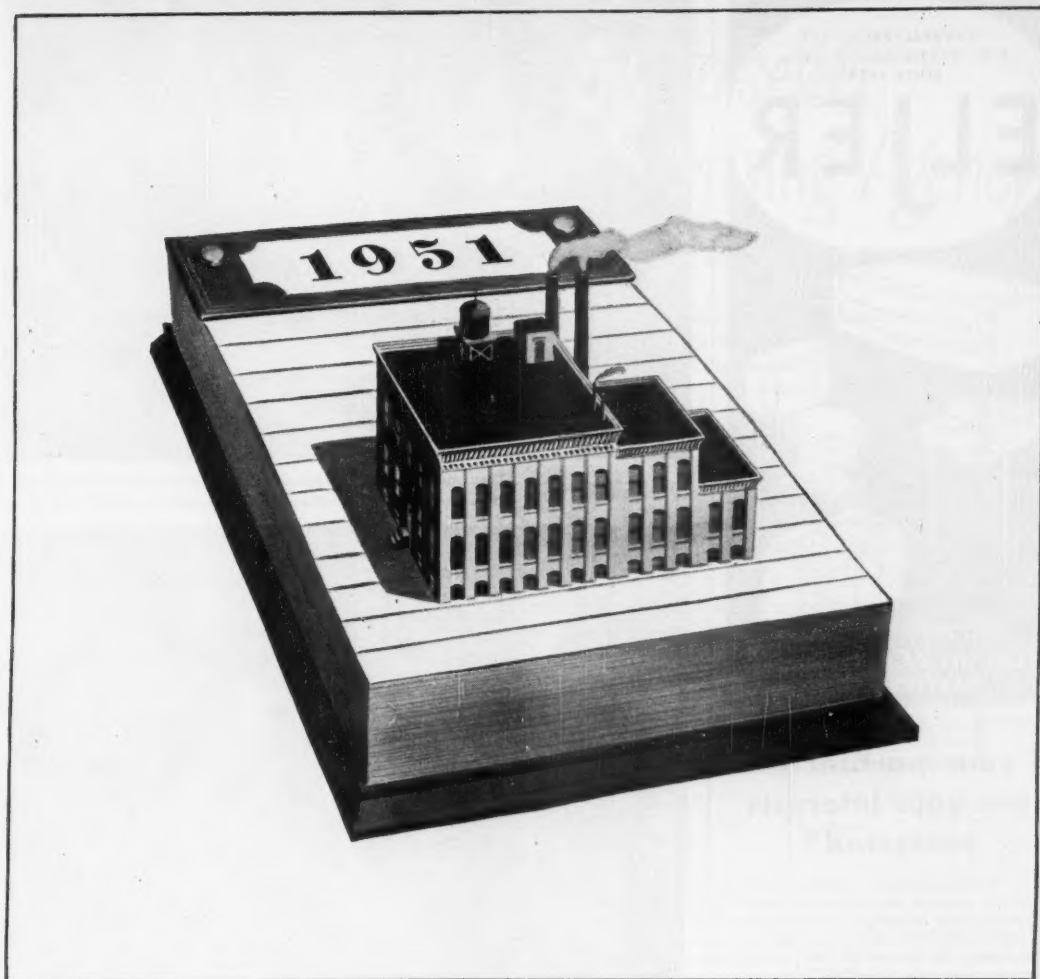
The answer often is: He didn't have the all-around training he needed.

• **Play All Positions**—Any top-level business executive has to be a jack-of-all-trades. He must make decisions and come up with new ideas that affect all

phases of a company—sales, finance, production, labor relations. A sales manager can be lost when it comes to deciding whether to buy new machinery, or how to buy it.

Long-range company training programs are one way to fill in the gaps in an executive's background. Another is the plan used by the Manufacturers' Assn., Racine, Wis.

• **Back to School**—Last spring the association decided to send aspiring young



YEAR OF DECISION?

ONE of the biggest decisions facing many factories this year will be whether or not to move...and where to move. To them we say, "Look South!"

Look South...and see a new industrial "wonderland," with unlimited opportunities and advantages.

Look South...and see industries of every kind thriving, expanding and looking ahead with confidence.

"Look Ahead—Look South!"

Ernest E. Harris
President



SOUTHERN RAILWAY SYSTEM

The Southern Serves the South

MANUFACTURERS OF
FINE PLUMBING FIXTURES
SINCE 1904

ELJER



FACTORIES:
FORD CITY, PA. • SALEM, OHIO
MARYSVILLE, OHIO

If your partner dies are your interests protected?

A Business Purchase Agreement, when properly prepared and implemented, offers iron-clad and inexpensive protection for your interests and those of your partner and his family. In the event of your partner's death enough cash is provided to prevent forced sale of the physical assets of your business to pay the debts and inheritance taxes of your partner's family.

WRITE TODAY FOR FREE BOOKLET

"The Importance of Business Purchase Agreements" explains the application of this vital protection in partnerships, sole proprietorships, and close corporations. This is something you should know about. Send for your free copy today.



NATIONAL LIFE
Insurance Company
MONTPELIER
VERMONT

FOUNDED IN 1859—A MUTUAL COMPANY—OWNED BY ITS POLICYHOLDERS

NATIONAL LIFE INSURANCE COMPANY
Dept. A, Home Office — Montpelier, Vermont
Please send me your free booklet: "The Importance of Business Purchase Agreements."

Name _____ Title _____

Business Address _____

City _____ State _____



QUESTIONS: They might be: "I've been wondering from all this: Is it smart for Chapman Gear to use an agency to make its sales?" Or . . .



ANSWERS: They come from Prof. Richard Donham of Northwestern's School of Commerce. He prods class into thinking. Other answers turn up in . . .

executives back to school. To do the job, it got nearby Northwestern University's School of Commerce to help.

Essentially, the Racine program is a night-school edition of Harvard University's Advanced Management Program (BW-Dec. 30 '50, p36). But it has this advantage over Harvard: The plan allows executives of small companies—who normally couldn't be spared from their jobs—to participate.

Like Harvard's on-campus course, the Racine plan supplements company programs. It gives trainees a chance to tackle problems they might otherwise miss, and to get the viewpoints of men outside their own company.

• **20-Week Stint**—The first of the Racine courses winds up next March after

20 weeks of night classes, one each week. In the initial program are 45 junior and senior executives from 12 companies that are underwriting the scheme. Another 20-week course probably will follow.

Spark-plug for the idea of helping management people "to think like executives" was C. E. Krause, vice-president of Massey-Harris Co. and head of the manufacturers' group. Krause organized the economic policy committee that got Racine industry to come into the scheme.

Students in the course today range from 27 to 53 years old, include everybody from company trainees to corporation presidents. Enrolled are engineers, office managers, vice-presidents,



... "What are the functions of the president? Does all the authority rest with him?"



... Post-class bull sessions like this one with Prof. Leon A. Bosch (glasses).

sales officials, financial officers, a research director, and an economist. Each company foots the bill. Sessions are held in Racine.

• **Case Studies**—No lecture course, the program uses the case study method. Assignments are passed out by the two men who run the course—Richard Donham, graduate director of Northwestern's School of Commerce and a former businessman, and Leon A. Bosch, professor of business administration, who also has business experience.

A typical evening recently took up the Chapman Gear Co. (pseudonym for a real Providence, R. I. firm). In between classes, students got a copy of the company's history clear back to 1904. In chronological order, they were given

How to select a good Advertising Agency

to serve you well... right now and for years to come

So you are going to select a new advertising agency? May we suggest that you use this check-list to determine exactly what you want your new agency to do for you.

1	Create hard-hitting ads that <u>sell</u> enough goods or services to repay their cost and make a profit.
2	Create arresting, interesting ads that portray your company favorably and win a fair share of citations and awards.
3	Produce noteworthy radio and TV shows or spots.
4	Prepare collateral materials: booklets, folders, letters, displays, etc.
5	Do enough market research to be certain everyone involved is on the beam.
6	Help with the <u>sales</u> promotion in the field.
7	Keep salesmen, distributors and dealers sold on the advertising.
8	Help make every employee and every stockholder a well-informed and enthusiastic salesman for what you make or do.
9	Complete the creative work far enough in advance of due dates to allow time for Orderly Thinking, Sound Planning and Thorough Follow-through!

If that partial listing appeals to you, if you agree that it adds up to better advertising results...you may find in Albert Frank-Guenther Law the agency you are seeking.

Our staff of 174 people, strategically situated from coast to coast, includes specialists in securities and fiscal advertising, house-to-house selling, jobber-dealer distribution, direct sales including mail-order, sales promotion, sales training, radio and TV—literally every phase of advertising, publicity and promotion.

Whether yours is a "tangible" product or "intangible" service—whether you sell direct or through dealers—whether you are in heavy industry, consumer goods (either mass or class), publishing, investments, banking, transportation or travel...here is a wealth of experience and skill to give you better advertising results.

If you are not satisfied with the results you are getting from your advertising, we will be delighted to match our time against yours in a get-acquainted talk. Just write or telephone to suggest a time and place.

Ever see an ad powerful enough to sell \$2,000,000 worth of merchandise? Let us show you one we did for D. Van Nostrand... that sold the merchandise straight from the ad—and at a profit!

Caron Perfumes have been advertised through this agency for 25 years. Through boom, depression, war and peace more and more American women discovered Caron...and Caron has grown and prospered.

Our policy regarding new accounts is a simple one. We will accept any account entrusted to us, provided (a) we believe we can do a good job for it and (b) we can handle the account profitably.

Our annual billing is just under \$10,000,000.

ALBERT FRANK-GUENTHER LAW, INC.

ESTABLISHED 1872

with which has been consolidated **J. M. HICKERSON Inc.**

Head Office: 131 Cedar Street, New York 6, N. Y.

Uptown Office: 110 East 42nd Street, New York 17, N. Y.

Advertising

CHICAGO • PHILADELPHIA • BOSTON • SAN FRANCISCO • WASHINGTON

CLARAGE

Headquarters
FOR AIR HANDLING AND
CONDITIONING EQUIPMENT

Meet our
Application Experts in

Illinois, Indiana, and
Missouri

CHICAGO — Clarage Fan Co.,
333 N. Michigan Ave., T. Cronage,
J. W. Allessig

SOUTH BEND — The McCaffery Co., 216 E. Wayne St.; J. J. McCaffery, R. W. Fleming

INDIANAPOLIS — Clarage Fan Co., 1746 N. Tocomo Ave.; V. C. Snowberger

ST. LOUIS — Rhodes Equipment Co., 4485 Olive St.; M. C. Rhodes, A. J. Lousler

KANSAS CITY — Heaven Engineering Co., 1525 Wyandotte; L. F. Heaven

... Also Application Engineering Offices in All Other Principal American Cities



A Capable Nation-Wide Service

Take any type of air handling or conditioning requirement, and it makes SENSE to call in the nearest Clarage Application Engineer. This man KNOWS his business — can give you expert assistance. And back of his recommendations are engineering resources and manufacturing skills unsurpassed in the fan industry. Try Clarage for satisfactory results invariably accomplished MORE economically.

CLARAGE FAN COMPANY, Kalamazoo, Michigan



the facts about everything Chapman Gear had done. What to do with the facts was their management problem.

To get the discussion started, Donham or Bosch picked out an event in Chapman's history, then asked: "Did the company's management make a wise decision not to become an automobile parts supplier?" (Most students said, "Yes.")

Before the evening was out, the class pretty well agreed Chapman Gear was in need of new cutting tools and wasn't coordinating production and inventory.

• **Banter with Purpose**—The class is conducted on an easy informal basis—with Bosch sometimes perched on the back of a chair goading students to speak up, and Donham wandering through the aisles or running to the blackboard to jot down an idea. Bull sessions about specific points or general policies frequently continue long after the class is dismissed.

Not all of the companies under study have unsolved problems. Many of them are picked because decisions were good. By the time the course is over in March, students will have had a chance to see how top management runs such firms as F. W. Woolworth, Inland Steel, Cluett-Peabody, General Foods, General Motors and DuPont.

MANAGEMENT BRIEFS

Vacancy filled: Fred M. Farwell becomes executive vice-president of S. C. Johnson & Son (wax products) on Apr. 1. He replaces Jervis J. Babb who left to take over at Lever Bros. when Charles Luckman moved out. Farwell has been vice-president of International Business Machine's World Trading Corp.

• **A \$500,000 training school** will be built in Chicago by International Harvester. Harvester has already run 8,000 employees and 4,000 dealers through the training course it started in 1946.

• **Forty-five engineer-salesmen** walked off with diplomas in the first evening class in salesmanship at City College of New York. To help businessmen pick and choose, the school gave each engineer a final rating as a salesman.

• **The second executive reshuffle** in a year at Allegheny Ludlum put E. J. Hanley in as president, Clark W. King as executive vice-president. E. B. Cleborne, who had been president, stays on as vice-president and director. Cleborne had an understanding that he had to work at Pittsburgh headquarters only through 1950.

\$5265⁰⁰
F. O. B. Waverly, Ia.
(less truck)

pays DIVIDENDS FAST!

- Lifts up to **10,000 lbs.**
- Mounts on new or used truck
- Drives anywhere, anytime... without hauling delays
- Fast, mobile, rugged
- Easily converted to dragline, clam, pile driver, trench hoe or shovel

NEW low-cost Bantam® crane, with 5-ton lifting capacity on rubber tires, easily handles hundreds of industrial jobs at big saving in time and labor. Travels anywhere around plants, yards, or cross country at speeds to 35 m.p.h. Unloads railroad cars, trucks... stockpiles materials... spots steel... loads coal, scrap, pipe, logs, etc. Handles 50' boom... 29" magnet... 6 versatile digging and lifting attachments. Backed by nationwide distributor service. Write for complete details. *Reg. U. S. Pat. Off.



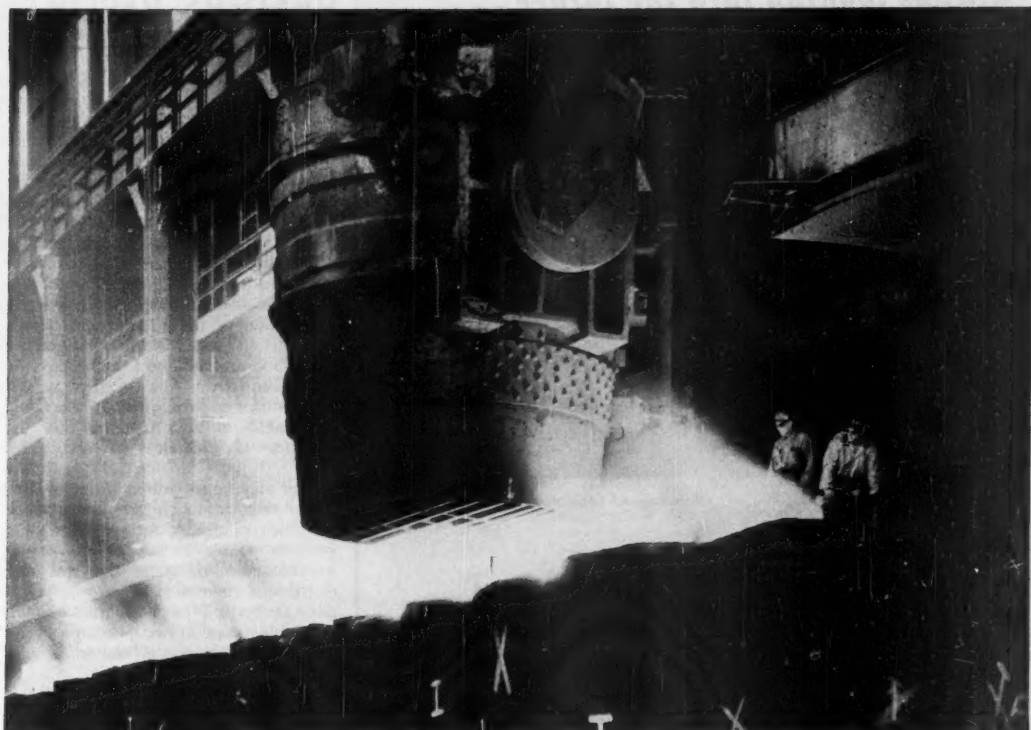
SCHIELD BANTAM
CRANES • EXCAVATORS

SCHIELD BANTAM CO.
239 Park St., Waverly, Iowa

Send details on truck-mounted Bantam ☐ Crane ☐ Excavator
Name Title
Company
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City State

SB-1-1

Costs less... Travels 35 M.P.H.... Gets more jobs done



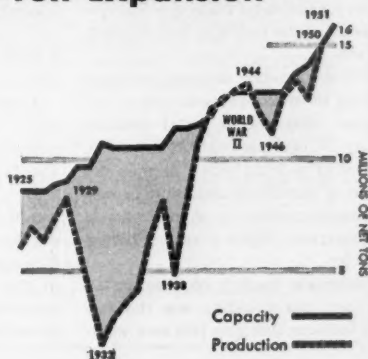
MILLION TONS MORE STEEL

**Latest Increase in Bethlehem's Annual Capacity Climaxes
5 Years of Postwar 3,100,000-Ton Expansion**

On January 1 of this year Bethlehem's steel making capacity stood at 16 million ingot-tons annually—an increase of 1 million tons over a year ago.

Since the war ended we have increased our annual steelmaking capacity 3,100,000 tons, or 24 per cent.

Moreover, as the chart at the right shows, Bethlehem's steel capacity has nearly doubled in 25 years. Additional capacity can and will be created as it is needed.



BETHLEHEM STEEL ★



always looking into the future . . .



Airco Research Laboratory, Murray Hill, N. J.

AIRCO RESEARCH *tames* *the tough-to-weld metals*

Air Reduction's planned research and development program has brought forth many new products and techniques for the metal working industry—the latest is the patented Aircomatic® Process.

Without a doubt, this revolutionary welding process represents one of the greatest advances in metal working history. It is a gas-shielded metal arc method of welding which permits the joining of aluminum, aluminum bronze and stainless steel—in all positions at welding speeds higher than ever before possible.

Continuous feeding of filler metal, and inert gas shielding, are the two main features that give this new weld-

ing method its exceptional speed and flexibility. A bare filler metal, in wire form, is fed continuously through a specially designed gun . . . and, of utmost importance, the process deposits a weld metal with an analysis almost identical to the base metal.

Further, to widen the field of Aircomatic application, Airco research is still working to achieve higher welding speeds and greater welding economies.

But, research on this high-speed welding technique is only one phase of Air Reduction's accelerated program. This same forward thinking is at work in the development of oxygen and acetylene processes—and products—for the entire metal industry.



AIR REDUCTION

AIR REDUCTION SALES COMPANY • AIR REDUCTION MAGNOLIA COMPANY
AIR REDUCTION PACIFIC COMPANY

REPRESENTED INTERNATIONALLY BY AIRCO COMPANY INTERNATIONAL

Divisions of Air Reduction Company, Incorporated
Offices in Principal Cities

READERS REPORT

Big Government

Sirs:

I read with much interest the Man Bites Dog editorial in your Dec. 2 issue mentioning the call of Mr. Charles B. Shuman, president, Illinois Agricultural Assn., for a drastic reduction in federal farm spending.

Country Gentlemen applauds your effort to acquaint BUSINESS WEEK readers with Mr. Shuman's injunction and the implication of the situation to which he refers. The fact is the condition in DeKalb County, Illinois, mentioned in your editorial was first called to public attention in an article titled "Big Government Is in Your County, Too" in Country Gentlemen's March, 1950 issue.

You may be interested to know that reader response to our article was most gratifying. Farmers, farm leaders, and business people in nearly 1,000 communities in all 48 states requested and distributed thousands of reprints. One dairy farmer in New York State bought advertising space in two newspapers urging his neighbors to read the article and "then do something about it."

CHARLES C. REES

MANAGER,
COUNTRY GENTLEMEN,
THE CURTIS PUBLISHING CO.,
PHILADELPHIA, PA.

Right Store, Wrong Name

Sirs:

Your issue of BUSINESS WEEK of Nov. 11, 1950, carries an article on page 66 relative to grocer's wholesaling. In that article, reference is made to "Thrifty Mart." This is to advise you that the correct trade name is "Thrifmart," which is the trade name used for many years by Fitzsimmons Stores, Ltd.

W. I. TITUS

ATTORNEY,
FITZSIMMONS STORES, LTD.,
LOS ANGELES, CALIF.

No Sugar Discount

Sirs:

An article entitled "Grocer's Bid in Wholesaling" appears in your excellent publication [BW—Nov. 11 '50, p. 66] and deals with the activities of one of our good customers in Los Angeles, the Certified Grocers of California, Ltd., and from which we quote the following: "Because of its control over a sizable chunk of the southern California grocery market, Certified is able to get tremendous quantity discounts from its suppliers. It is the largest single cus-

tomer of such firms as California & Hawaiian Sugar. . . ."

Some of your readers, by an association of the two sentences quoted above, have read into them the implication that Certified Grocers are obtaining quantity discounts on its purchases of sugar from us. Certified Grocers is one of our largest and best customers on the Pacific Coast, but they do not buy our sugar at a lower price than any of our other customers in the area. . . .

A. A. SMITH

VICE-PRESIDENT, SALES,
CALIFORNIA & HAWAIIAN SUGAR REFIN-
ING CORP., LTD.,
SAN FRANCISCO, CALIF.

Sirs:

You . . . state that "Certified, because of its control over a sizable chunk of the southern California grocery market, is able to get tremendous quantity discounts from its suppliers."

Today, that could not be so, as any carload buyer should and no doubt does own his merchandise at the same price basis as any other carload buyer. Suppliers do not and dare not discriminate between purchasers of equal quantities, and we would not be a party to any knowing discrimination.

CAMPBELL STEWART

GENERAL MANAGER,
CERTIFIED GROCERS OF CALIFORNIA,
LTD.,
LOS ANGELES, CALIF.

Red Face Dept.

Sirs:

After the very comprehensive article on the agreement between California Fruit Growers' Exchange and California Packing Corp. regarding the use of the Sunkist trademark [BW—Oct. 7 '50, p91], I was amazed to note on page 80 of the issue of Nov. 18 the statement that "California Packing has put out a frozen orange-juice concentrate under the Sunkist name."

As you know, the agreement gave the exchange exclusive right to the use of the trademark, Sunkist. We have not packed any frozen concentrate under that trademark for anyone but ourselves.

I know you will pardon the needle. BUSINESS WEEK is usually so meticulously accurate that I couldn't help but call your attention to the glaring error.

D. M. ANDERSON

SECRETARY,
CALIFORNIA FRUIT GROWERS' EXCHANGE,
LOS ANGELES, CALIF.

• BUSINESS WEEK's Marketing Dept. is now spending its evenings rereading its own back issues. We herewith return to Fruit Growers' Exchange the \$14-million Sunkist label of which we robbed it.

Your keenest competitor knows —

That no matter how well established his business may be, *nothing can damage it more than better equipment and better methods in the hands of an aggressive rival!*

He also knows that unless YOUR equipment and methods are "up-to-the-minute", YOU cannot continue to sell YOUR products at competitive prices.

Photos Courtesy International Harvester Company



Take the INTERNATIONAL HARVESTER COMPANY, Chicago, Ill., whose competitive efficiency is strengthened by top-flight machine tools and methods. Their Louisville, Ky., plant turns out more than 400 tractors per day—and practically all the threads are GROUND FROM THE SOLID . . . on just TWO Jones & Lamson 6 x 15 Thread Grinders.

Look at their advantages in threading!

HARVESTER'S threads are ground at a high production rate . . . they are finished in one pass, using a multi-rib grinding wheel . . . heat treat distortion is avoided (grinding is a final operation) . . . no trouble from material variations . . . accurate threads at assembly (size control is automatic) . . . PLUS additional HIDDEN SAVINGS based on trouble-free, year-in, year-out machine performance!

ARE YOU EQUIPPED TO YOUR BEST ADVANTAGE? Get a free check-up on your present operations. Write to our PRODUCTION RESEARCH DEPARTMENT for this service.

JONES & LAMSON

MACHINE COMPANY Springfield, Vermont, U.S.A.



MACHINE TOOL CRAFTSMEN SINCE 1835

Turret Lathes—Fay Automatic Lathes—Thread Grinders—Optical Comparators—Threading Dies

Year in and year out
you'll do well with the
HARTFORD



—all forms of fire, marine
and casualty insurance and
fidelity and surety bonds.

See your Hartford agent
or insurance broker

**HARTFORD FIRE
INSURANCE COMPANY**
**HARTFORD ACCIDENT
AND INDEMNITY COMPANY**
**HARTFORD LIVE STOCK
INSURANCE COMPANY**
HARTFORD 15, CONNECTICUT

**SEE THIS PANORAMA
OF PROGRESS**



Over 300 exhibits of the latest products and advanced practices for conditioning air in all types of buildings, industrial plants, institutions, and homes . . . the largest event of its kind ever held. An unequalled opportunity to see and compare hundreds of new and improved items . . . to get time-saving solutions to problems . . . to discuss future requirements first-hand with engineering specialists So plan now to attend . . . and profit from this most instructive, valuable exposition.

*Auspices of The American Society of Heating
and Ventilating Engineers
Management International Exposition Co.*

FINANCE

Utility Earnings: Still Moving Higher

	GROSS REVENUES			NET EARNINGS		
	Latest 12 Months	Previous 12 Months	% Gain	Latest 12 Months	Previous 12 Months	% Gain
Alabama Power	\$49,831	\$45,412	9.7%	\$9,294	\$8,978	3.5%
Arkansas Power & Light	27,636	27,030	2.2	4,544	4,423	2.7
Boston Edison	67,283	64,480	4.3	7,359	7,439	-1.1
Carolina Power & Light	33,722	29,214	15.4	5,504	4,779	15.2
Cincinnati Gas & Electric	65,272	58,409	11.7	10,080	9,284	8.6
Cleveland Elect. Illuminating	67,705	63,458	6.7	10,422	8,867	17.5
Commonwealth Edison	264,459	247,508	6.8	28,479	27,972	1.8
Consolidated Edison of N. Y.	385,086	367,448	4.8	37,761	36,546	3.3
Cons. G. Elec. Lt. & Power	78,354	72,868	7.5	9,965	7,770	28.2
Consumer Power	111,145	92,075	20.7	17,845	14,924	19.6
Detroit Edison	148,912	133,543	11.5	16,997	13,091	29.8
Florida Power	20,498	18,345	11.7	2,784	2,512	10.8
Georgia Power	71,217	69,322	2.7	9,929	9,921	0.1
Houston Lighting & Power	33,638	30,125	11.7	6,635	5,535	19.9
Kansas City Power & Light	30,892	29,535	4.6	4,494	4,627	-2.9
Louisville Gas & Electric	29,105	27,206	7.0	4,725	4,641	1.8
Montana Power	25,180	23,519	7.1	8,107	6,985	16.1
New England Gas & Electric	30,699	28,669	7.1	2,572	2,367	8.7
Niagara Mohawk Power	147,453	138,779	6.3	20,570	18,408	11.7
Northern Indiana Pub. Srvc.	47,474	44,866	5.8	7,593	6,712	13.1
Ohio Edison	84,717	77,352	9.5	14,705	13,218	11.2
Pacific Gas & Electric	230,302	217,811	5.7	35,757	27,529	29.9
Pennsylvania Power & Light	76,863	69,261	11.0	12,046	9,091	32.5
Philadelphia Electric*	155,500	140,076	11.0	28,000	23,155	20.9
Public Service Elec. & Gas**	136,005	127,260	6.9	14,785	15,015	-1.5
Southern California Edison	102,576	99,313	3.3	17,174	17,961	-4.4
Southern Co.	132,095	124,279	6.3	16,233	16,683	-2.7
Texas Power & Light	26,125	23,549	10.9	5,855	4,735	23.7
Utah Power & Light	20,783	19,882	4.5	4,027	3,000	34.2
Virginia Electric & Power	61,918	55,731	11.1	8,316	6,220	33.7

NB. All figures are in thousands of dollars.

*Company estimate for all 1950 compared with 1949 results. **First nine months, 1950 and 1949.

Paradox of Power Utilities

POWER OUTPUT: About 333-billion kwh.—12% above previous record output chalked up in 1949.

GROSS REVENUES: Around \$4.5-billion, 9% increase over 1949, which was itself a record.

NET EARNINGS: Running close to \$820-million, as compared with 1949's record of \$765-million.

BUT UTILITY STOCKS are showing the poorest price performance of any major market group.

Operating achievements of the privately owned electric power utilities—the nation's third largest industry—were imposing in 1950.

But you would never know it to look at the stock market.

• **Lag**—For months utility commons have been running behind the major stock groups. The Dow-Jones utility stock price index closed at the end of

1950 at a level near that of the beginning of the year. That's a far cry from the 46% gain scored in the same period by the D-J rail index, or the 18% advance recorded in the industrial share average.

Some of the group didn't do as well in earnings as the industry as a whole. Some operating companies' profits probably fell below 1949 levels, in spite of increased gross revenues.

But many experienced gains in earnings ranging from 10% to 30% (table, above).

• **That's Because**—Why, then, have these companies lagged behind industrials and rails in a bull market?

• **Reason 1**—Bigger profits reported by the industry haven't always meant higher per-share earnings for stockholders. Utility companies have financed their huge postwar expansion programs in part by the sale of additional shares (BW—Jul. 24, p. 52). That means more utility shares outstanding, in spite of reported higher earnings. So individual

per-share profits have not necessarily gone up.

You can check this by thumbing through recent individual earnings reports. Out of 34 reports chosen at random, 20 show sharp increases in net income translated into sharp rises in per-share earnings; 11 show smaller earnings per share in 1950 than in 1949, despite gains in net income; and 3 show only slight increases.

A drop in the industry's rate of return on its tremendous capital investment points up this trend. The earnings pattern was up last year, but early estimates indicate that profits provided a return of only 4.96% on the \$21.5-billion investment—compared with 1948's 5.7%.

• **Reason 2**—Utility stocks are traditionally "defensive" securities. They're rarely market favorites in boom times, particularly when inflation fear is the spur for stock buying.

Utility issues offer stability of revenues, stability of earnings, and stability of dividends. That was proved during the depression of the 30's in the 1937-38 recession, and again during the 1949 postwar shakeout. But no one is interested in stability when he can get shares promising increased dividend returns as well as capital gains during future months.

In fact, deflation is apt to have beneficial effect on utility earnings. Utility rates are fixed; they can be changed only slowly. Thus, profit margins usually widen as costs drop. Also as business activity falls off, most of the drop in output is made up of the trade's low-rate, low-profit industrial business.

The factors that make utilities almost depression-proof work in reverse when inflation starts to push up the cost of operations. The price of their product, for example, can't be upped the minute operating costs begin to squeeze profit margins. Rates can't be raised without approval of regulatory authorities. And that takes time.

• **Surplus-Poor**—In contrast with other regulated industries like the railroads (BW—Dec. 24 '50, p52), there's little leverage in the utility business. Even though the industry spent over 2-billion last year in plant expansion, it has no huge surplus that can be put to work handling increases in business without increasing costs proportionately.

I. Brighter Prospects

A lot of Wall Streeters believe that actually the utilities' cost structure today is much more flexible than most stock buyers realize. And they could be right. Here's why:

Labor costs absorb only some 20% of revenues. That's a much smaller ratio than in most trades because utility man-

power requirements are relatively small.

Rising fuel costs aren't as great a headache as they might be. Most utility companies are now well-protected against them on virtually all their industrial business and most of their large commercial sales. The protection is a "coal clause" in contracts with such consumers; this gives the utility the right to pass on to those important groups of power users any increases in its fuel costs.

A lot of new equipment has been installed lately; more is on the way. All this can eventually work big savings in operating costs. That's because the new equipment is specifically designed to use either coal, oil, or natural gas, whichever costs least and is most available; it's also designed to operate more efficiently than former facilities—with less manpower and less fuel per kilowatt-hour generated.

The billions of dollars invested in this new equipment hasn't yet fully shown up in earnings.

II. Taxes: Less Than Expected

On taxes, the industry appears more vulnerable. Last year, if you ignore the retroactive feature in the excess-profits tax bill, taxes rose to \$937-million, 18% higher than 1949 levels. It took about 21% of all the utilities' gross revenues to pay the tax bill in 1950, only 19% in 1949, and 9.6% in 1929. For the first time in history, in fact, taxes were their heaviest expense item. (Next in line were wages. Once the biggest cost item, they absorbed 20% of all receipts. Fuel costs, third biggest, sopped up another 17%.)

• **Kinder EPT**—Even so, there's one bright spot in the tax picture. Generally speaking, the utilities should fare better under the new excess-profits setup than they fared during World War II. That could do the utilities stocks a good turn in the market. For one of the big reasons for the stocks' poor price showing since Korea has been the memory of what happened to the utilities' earnings when World War II taxes hit them.

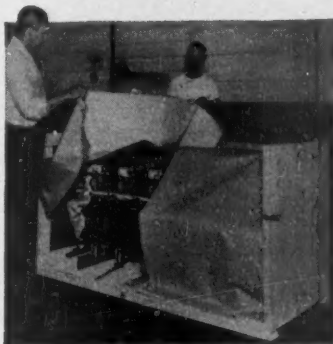
• **In 1941**—When the EPT bill was passed in early 1941, few people believed it would hurt the utilities much. But the war lasted long enough for them to really feel it. By 1944, that levv nicked them for well over \$200-million. And that year, net earnings proved some \$22-million less than in 1939 even though revenues ran around \$800-million higher.

• **In 1951**—The same sort of treatment would hurt even worse now than it did then. A gigantic expansion program is now in full swing. The industry will have to sell some additional equity issues to put the program through. And it just wouldn't be able to do this if the

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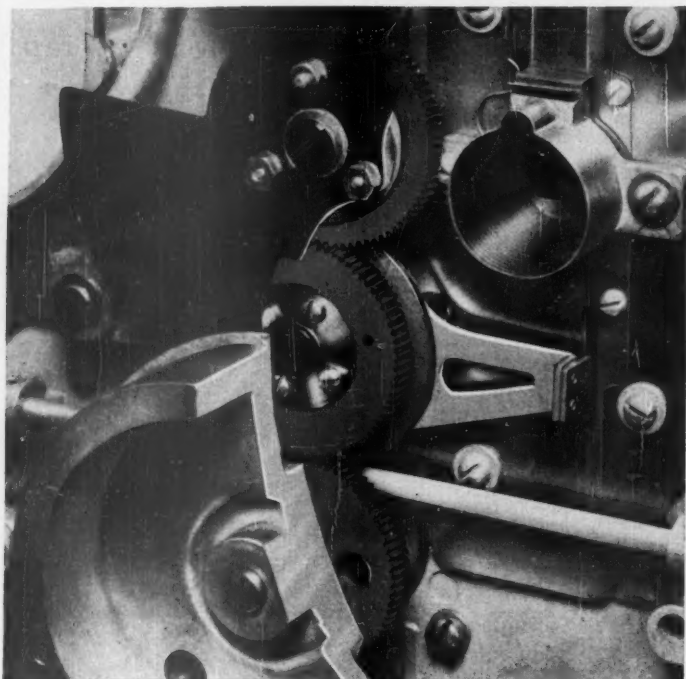
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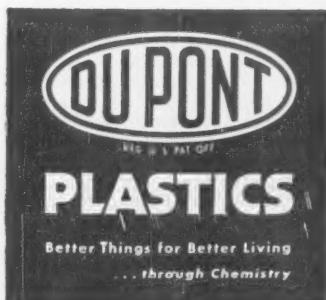
"...an excellent example of the right material in the right spot." That's what RCA says about these nylon gears, used to drive the projector intermittent in their RCA "400" 16-mm. sound film projector.

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new EPT siphoned off much of its future earnings.

The industry told this story to the legislators. They heeded it. The new EPT bill allows the electric power group, before it becomes subject to EPT, to earn up to 6% on its equity capital and borrowed capital (less interest payments) after the payment of all expenses—including normal tax and surtax.

Wall Street feels that's much more favorable treatment than anyone expected. Some people believe that it may signal a better utility security market.

• **Hints of Change**—The new EPT apparently hasn't changed the feeling of the main body of investors toward utility securities as war holdings. But in recent days, there has been a slight renewal of interest in that section of the stock list. This has greatly encouraged the Street. It reports that the renewed interest comes mainly from "smart money" quarters. Three factors apparently are doing the tricks: (1) the relatively large yields the utility group affords; (2) the trade's key role in our defense program; and (3) the belief that, come what may, present dividend rates should be at least maintained.

Vermont Plans to Copy Maine Corporation

Maine's Development Credit Corp. (BW—Feb. 18 '50, p105) may soon be adopted by its neighbor, Vermont. The Vermont State Development Commission is looking into the legal steps necessary to get a development credit corporation started there.

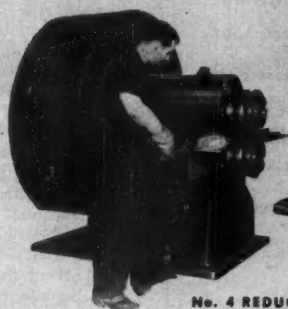
The Maine corporation provides a way by which commercial banks, savings banks, building and loan associations, and insurance companies can pool funds to loan to small business, if no commercial bank is willing to take on the loan directly. The intention of the plan is to attract new business to the state.

• **1,300 Jobs**—So far, the Maine corporation has loaned out about \$135,000 and has O.K.'d loans of about \$142,000 to three more enterprises. Already about 1,300 jobs have been provided.

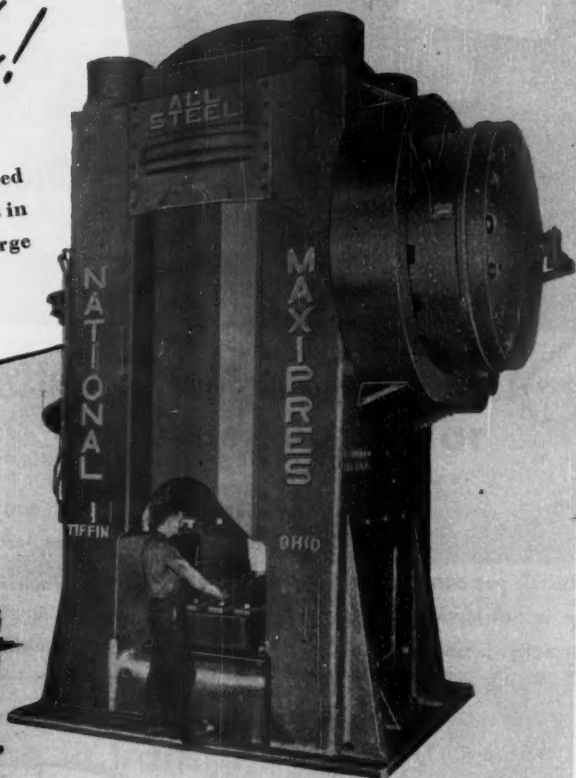
Under the Maine plan, which was developed primarily by the state bankers' association, the financial institutions contribute up to a maximum of \$1.5-million to the credit pool. No contributor, that is a bank or building and loan association, may subscribe more than 24% of its capital and surplus. Insurance companies are limited to 2% of invested funds. The financial institutions are protected by \$50,000 of capital stock, bought by local businessmen.

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Textile Mergers

Second one in textiles—between Cone and Dwight—is close. There's talk of Bates and Consolidated joining, too.

There's been a revival of mergers and rumors of mergers in the textile industry lately. First came J. P. Stevens & Co.'s purchase of Appleton Co. by exchanging about \$9-million worth of its stock for Appleton shares (BW—Nov. 25 '50, p101). Stevens is one of the biggest and most diversified concerns in the business. Appleton makes cotton flannel and sheeting.

• **One Near, One Far**—Last week another merger was in the works. Directors of Cone Mills Corp. and Dwight Mfg. Co. announced they would ask their stockholders to approve combining the two companies. Cone makes finished cotton fabrics; Dwight is an important producer of gray goods.

Another merger this week was still nothing more than a twinkle in the eye of Lester Martin, president of Consolidated Textile Co., Inc. Martin would like his company, which makes cotton fabrics, to merge with Bates Mfg. Co., a long-established concern. Bates manufactures cotton gray goods and converts them into finished products.

• **Buying In**—In 1945, Martin tried to acquire four Maine mills being sold by New England Public Service Co. Bates outbid him, and the new mills subsequently expanded its production greatly. Since then, Consolidated has been acquiring Bates stock. It now holds about 13% of the common shares.

Last September, directors suggested proposing an exchange of three shares of Consolidated stock for one share of Bates common. At that time, Consolidated was selling for around \$13 to \$17 a share; Bates around \$48 bid.

• **Outlandish?**—Herman D. Ruhm, Jr., president of Bates, says his company was never approached about a merger. "It never occurred to me," said Ruhm, "that anyone would think such a proposal possible." Ruhm's reasoning probably stemmed from these figures: On Aug. 31, the date of its last balance sheet, the book value of Consolidated was \$14 a share. At the end of 1949, Bates common had a book value of \$70.51. Thus the value ratio of the two would be in the neighborhood of five to one. That presumably was one cause of Ruhm's indifference to a three-for-one exchange.

Meanwhile, the price of Bates common has been advancing. It now stands around \$63 bid, compared with around \$15 for Consolidated.

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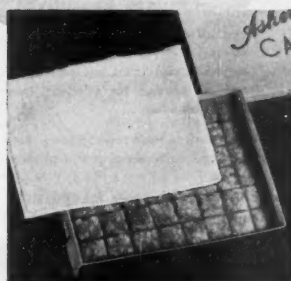
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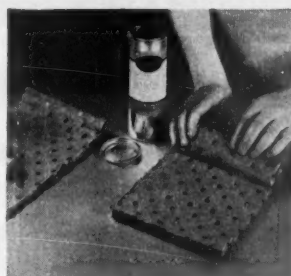
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Warners Split

Movie company agrees to form separate production and exhibition concerns. Deal must be O.K.'d by court, stockholders.

Another movie company has agreed to split production and exhibition operations. Early in 1949, Paramount Pictures Inc. and Radio-Keith-Orpheum Corp. filed split-up plans. Last week, Warner Bros. Pictures, Inc. gave up the 12-year struggle, agreed with the Dept. of Justice on a consent decree. The decree went this week for approval to a special federal court in New York.

Under the terms of the decree, Warner must work out details of a split-up plan and get it approved by stockholders within 90 days. The reorganization must be finished by April, 1953.

• **Stock Split**—Stockholders of the present company will get a pro rata share in each of two new companies, which will be completely independent. To make sure of that, directors, officers, agents, and employees who own more than 1% of the outstanding stock of the present company must sell their holdings in one or the other of the new companies within a year after the split.

The decree pays special attention to the three Warner brothers—Albert, Harry, and Jack—and their immediate families. Their holdings total about 24% of the outstanding shares.

By April, 1953, these stockholders must sell their stock in one of the new companies, or else turn it over to a trustee appointed by the special court. This trustee would vote the stock, but would turn over dividends and other distributions to the owners. The Warners have said already that they plan to remain with the production end of the business, just as Barney Balaban of Paramount and Howard Hughes of RKO have done.

• **Theater Sales**—The decree also provides that the new theater company will have to sell between 55 and 80 theaters, half within a year after the split, the rest within two years. Justice is forcing these sales in order to restore competition in cities where it feels Warner Bros. is too strong.

The number of theaters to be sold is flexible because: (1) In some cities, Warner has a choice of selling two theaters or else a third. (2) In some cities, it may choose between selling a theater or agreeing to take only a certain percentage of available pictures for that theater. (3) In other places, Warner won't have to sell a theater if another independent theater is started there within a given period.

That leaves two major companies who haven't come to an understanding with the Justice Dept. Paramount completed its split at the end of 1949. RKO—after some delay—split last week. But 20th Century-Fox Film Corp. still hasn't finished working out a consent decree with Justice. And Loew's Inc. has made no move yet to comply.

Quantity Discount O.K.'d On Fire Insurance

Chain stores and other industries who have merchandise to insure in many different locations got a New Year's present last week from New York insurance superintendent Alfred J. Bohlinger.

• **Discounts Legal**—Bohlinger ruled that the Escott Plan, which provides quantity discounts on fire insurance premiums paid on merchandise in "multiple locations," is not unfair discrimination. His department had already approved the plan over a year ago (BW—Sep. 17 '49, p. 94). But though some companies put it into effect, several powerful insurance groups had contested its legality.

Bohlinger's decision is likely to set a precedent for other state insurance departments, who generally follow New York's lead sooner or later. Some of the states have approved the Escott Plan, but others have turned it down.

• **Stopped by Court**—Fire insurance companies used to allow quantity discounts on multiple locations. Then the Supreme Court decided, in the Morton Salt Case (BW—May 8 '48, p. 21), that the seller had to prove that discounts to quantity buyers were justified. Rating bureaus felt they could not justify the discounts statistically, so they dropped them.

After considerable negotiation, though, insurance companies and state insurance officials worked out a new discount method, the Escott Plan. However, a minority element, including the America Fore Group, the Loyalty Group, the Aetna Life Group, and the Hartford Group, challenged its legality.

Now Bohlinger has ruled that the lower rates are justified on the basis of the preliminary statistical data available. This information indicates that policies on a large-scale basis cost insurance companies less to handle than other kinds of risks.

• **Same as High Rates**—Anyhow, says Bohlinger, the Morton Salt Case applies to companies in free competition, not to insurance companies whose rates are regulated by state law. "Under the insurance law, to withhold a merited discount from a sizable group of policy holders is tantamount to maintaining an excessive rate level."



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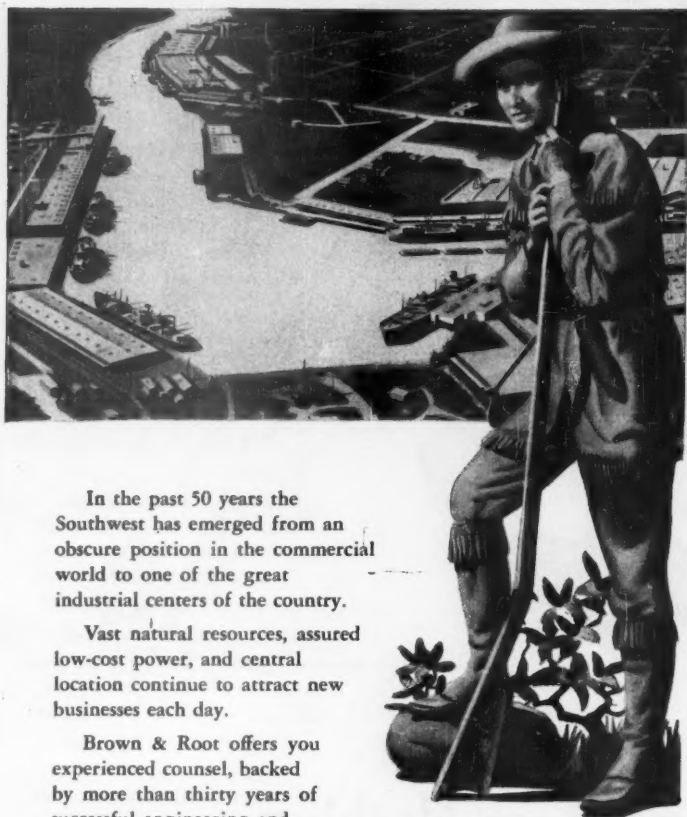
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FINANCE BRIEFS

Pension funds are now a factor in privately negotiated financing. New York's Bankers Trust Co., acting for various pension funds, was a member of a banking syndicate which last week bought \$12-million Central Hudson Gas & Electric bonds direct from issuer. Its share: \$7-million.

Gross sales of new shares by open-end investment trusts in 1950 probably ran some 30% above 1949's record level, exceeded \$500-million for first time. Redemptions, however, rose even faster. Net sales are estimated at about \$250-million vs. 1949's \$279-million record peak.

Sale of Don Lee network to General Tire & Rubber pension fund (BW—Nov. 4 '50, p12) was O.K'd last week by FCC.

Corporate bond underwriting may get off to a slow start in 1951. Managements prefer to await completion of annual report figures for SEC registration statements that must be filed. That eliminates special audits to compile late figures for these statements.

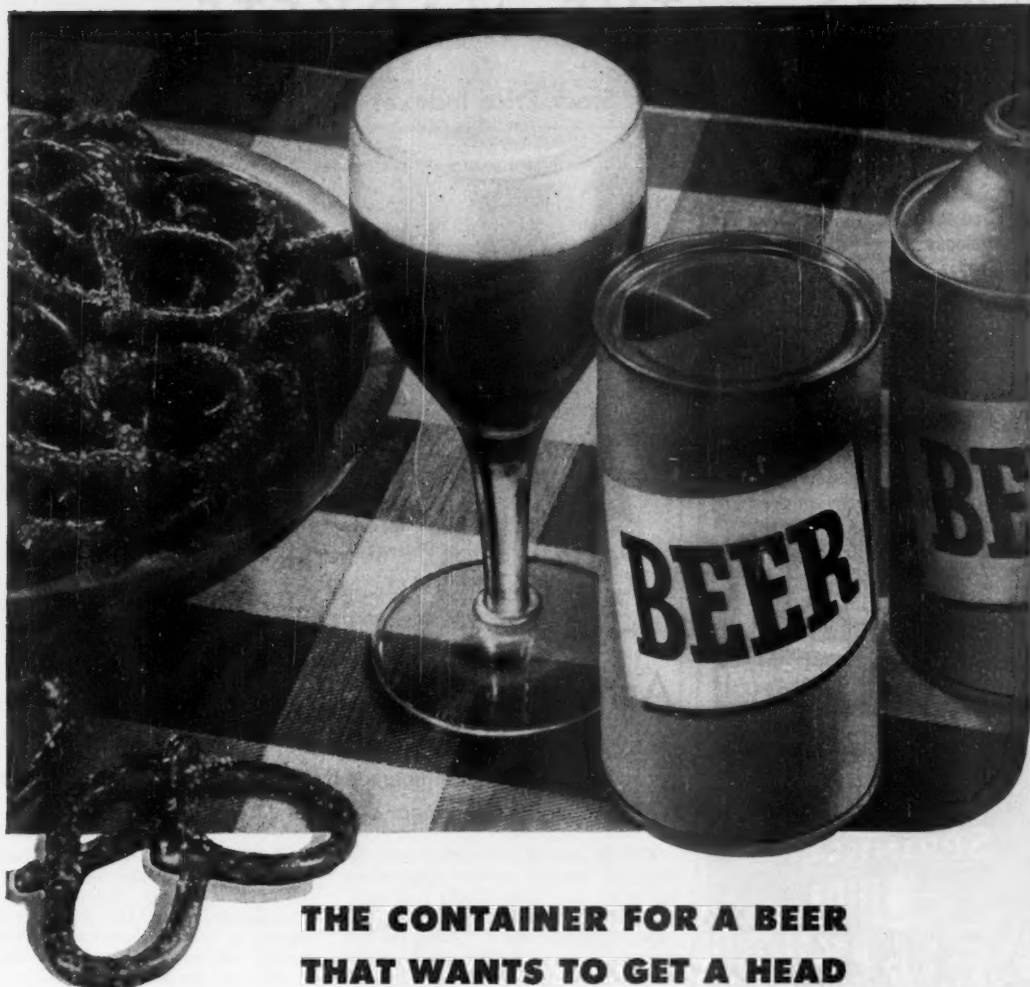
Number of holders of General Motors common climbed to a new high of 410,428 in the last quarter of 1950. That's 10,438 more than in the preceding three months. GM attributes gain largely to its recent 2-for-1 stock split-up.

Another rail equipment builder is taking steps to diversify output (BW—Dec. 23 '50, p54). Pullman-Standard Car Mfg. Co. has just purchased for an undisclosed sum Isaacson Iron Works, maker of tractor accessories.

Fruehauf Trailer Sales, Inc., sold more 13-year 3½% collateral trust debentures direct to a banking group. This brings to \$70-million the amount available to finance customer paper acquired by its parent, Fruehauf Trailer Co. It has already financed over \$100-million of Fruehauf trailer sales.

Fire losses in November were highest recorded in that month for 22 years. Total was \$55.8-million, 5% above November, 1949, 11.7% above previous month. In first 11 months of 1950, losses were \$621.6-million, 3.5% higher than in same 1949 period, National Board of Fire Underwriters reports.

Clinton Foods will sell \$6.5-million new first mortgage 3½s. About \$9.5-million of similar bonds are already outstanding; they were sold privately in 1949 to Equitable Life.



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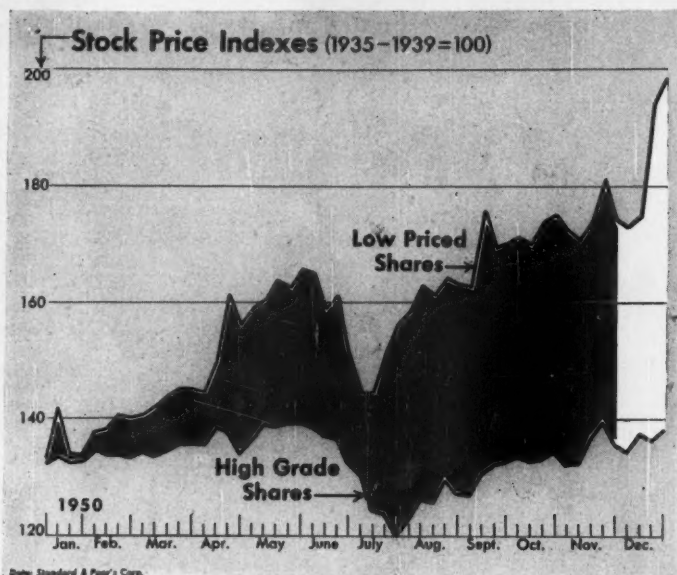
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THE MARKETS



Arms Boost Low-Price Stocks

Speculative gap widens as mobilization brightens earnings prospects of marginal companies. It was wide in 1929 and 1946, too, but few analysts see danger signs in the trend today.

On the basis of past market performance, it's often a caution signal when low-price, speculative stocks start gaining a lot faster than the investment-type, high-grade shares. During the last few weeks, the spread between Standard & Poor's index of the low-price stocks and the high-grade stocks has increased a lot.

But you can't find many analysts who are seriously worried yet by the rapid climb in the cheap shares. For one thing, they point out that in 1946 S&P's index of low-price stocks got up more than twice as high as the high-grade stock index. In 1929, the low-price index climbed about three times as high as the high-grade index. On that basis, the cheap shares should still have quite a long way to go.

Just the same, there were very few analysts who were worried by the wide gap between the low-priced and high-grade shares before the tumble back in 1929 and in 1946.

• Marginals Favored — Furthermore, analysts believe that there is more justification for a boom in cheap stocks now than there was in 1929 or 1946. By and large, the stocks in the low-

price index are stocks of marginal companies. These companies don't do very well in normal times. But now that a big program of military spending is coming up, most of them should, theoretically, be working at capacity during the war period.

Of course, a good deal of this business will be on government orders, where profit margins are generally lower than on civilian business. However, since these orders will make use of unused capacity of the marginal companies, it should increase their earnings, even after taxes.

• New Glamour—Such stocks have quite a lot of appeal for more speculative-minded people who are now worrying about a decline in the purchasing power of the dollar. Before Korea, many of the members of this group considered they were taking enough risks if they bought the stocks of big industrial corporations who have been doing well in the post-war civilian-goods boom. But now these big companies will have to devote a considerable part of their productive capacity to lower-profit government orders. So many traders estimate that their 1951

profits are likely to be lower than in 1950.

• **1951 Pitfalls**—This bull market has plenty of pitfalls ahead of it in 1951. There may be shortages of materials, reducing the sales of many corporations. There may be temporary industrial shutdowns as companies convert from civilian production to war work. In spite of anticipated price controls, rising costs may cut into profit margins.

And the market may run into profit-taking before long from traders who were wise enough to buy stocks during the Korean panic lows of last July.

Last of all, there is always the possibility that some unexpected catastrophe on the international scene may scare traders out of the market in droves. So far, the market has shown itself better able to take military shocks than many people had expected.

1950's Stock Market Pattern

—Standard & Poor's Weekly Stock Price Indexes (1935—39=100)—

Stock Group	Dec. 28, 1949	1950 Range		Dec. 27, 1950	1950 Change
		High	Low		
Leather.....	105.8	194.1	105.8	192.8	+82.2%
Paper.....	333.6	560.0	327.6	560.0	+67.9
Steel.....	132.0	209.9	136.1	209.9	+59.0
Aircraft manufacturing.....	113.8	197.7	116.3	179.7	+57.9
"War" stocks.....	109.8	169.8	113.5	169.8	+54.6
Tires, rubber goods.....	190.0	292.9	192.3	292.9	+54.2
Rayon.....	356.3	539.6	327.6	539.6	+51.4
Air transport.....	225.5	339.4	229.6	339.4	+50.5
Distillers.....	325.0	485.8	333.0	485.8	+49.5
Woolen goods.....	106.0	156.6	87.9	156.6	+47.7
Copper.....	115.2	166.9	113.4	166.9	+44.9
Lead, zinc.....	91.0	128.9	83.1	128.9	+41.6
Metal fabricating.....	103.5	147.6	104.4	146.1	+41.2
Railroads.....	103.3	145.4	102.5	144.5	+39.9
Mining, smelting.....	77.7	108.0	73.3	108.0	+39.0
Cotton goods.....	238.5	328.8	228.0	328.8	+37.9
Television, electronics.....	147.5	254.8	147.8	199.1	+35.0
Oil.....	171.9	230.4	165.7	230.4	+34.0
Rail equipment.....	78.1	104.3	77.6	104.3	+33.5
Chemicals.....	159.3	209.9	158.5	209.9	+31.8
Coal.....	207.9	271.7	196.5	271.7	+30.7
Capital goods stocks.....	129.5	168.6	131.2	168.6	+30.2
Machinery.....	118.0	153.4	114.7	153.4	+30.0
Radio broadcasting.....	144.6	246.7	147.9	185.4	+28.2
Automobile.....	141.6	205.8	143.4	181.3	+28.0
Sugar.....	94.8	120.4	94.1	120.4	+27.0
Agricultural machinery.....	126.4	160.7	120.3	160.3	+26.8
Department stores.....	213.2	265.1	215.1	264.4	+24.0
All industrial stocks.....	141.2	175.1	141.3	175.1	+24.0
Glass containers.....	106.2	129.3	98.8	129.2	+21.7
Soaps.....	172.3	209.7	166.8	209.7	+21.7
Shipbuilding.....	179.5	218.2	177.4	218.2	+21.6
ALL STOCKS.....	133.3	162.0	134.1	162.0	+21.3
Mail order, general chains.....	195.2	243.1	186.6	233.2	+19.5
Auto parts, accessories.....	120.5	146.1	118.7	139.6	+15.9
Electrical equipment.....	109.1	129.0	109.6	126.0	+15.5
Consumer goods stocks.....	141.5	160.2	165.3	160.2	+13.2
Ethical drugs.....	165.4	194.3	155.5	184.7	+11.7
Meat packing.....	134.1	160.2	135.9	149.8	+11.7
Food chains.....	223.8	257.6	206.7	241.4	+7.9
Shipping.....	386.0	420.7	380.3	415.9	+7.7
Office business, equipment.....	189.5	214.6	172.1	202.8	+7.0
Foods.....	141.3	152.4	136.0	148.5	+5.1
"Peace" stocks.....	160.1	170.4	147.7	164.5	+2.7
Printing, publishing.....	117.0	133.1	96.6	119.8	+2.4
Utilities.....	104.3	113.7	101.2	106.2	+1.8
Building materials.....	132.7	143.3	109.5	135.0	+1.7
Proprietary drugs, cosmetics.....	135.8	144.6	125.2	135.5	—0.2
Carpets, rugs.....	139.0	154.9	126.2	136.4	—1.9
Natural gas.....	191.8	205.3	172.5	185.5	—3.3
Shoes.....	123.2	125.5	108.8	116.4	—5.5
Confectionery.....	131.8	140.3	115.2	122.7	—6.9
5¢, 10¢, \$1 stores.....	136.6	137.8	121.5	125.0	—8.5
Metal containers.....	83.2	90.6	70.7	74.2	—10.8
Tobacco.....	91.6	92.1	79.2	80.3	—12.3
Motion pictures.....	166.9	170.0	130.5	145.7	—12.7
Finance companies.....	121.4	133.1	94.5	97.3	—19.9
Soft drinks.....	134.6	139.4	101.0	106.5	—20.9
Gold mining (U.S.).....	77.0	77.5	52.1	54.7	—29.0

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LABOR

Bumper Crop of Rumors

Uncertainties over developments on the labor front have spawned an unusually interesting crop of rumors. Impossible to verify or definitely discredit, these stories have at least the importance of being believed by some people. From time to time, as juicier ones accumulate, **BUSINESS WEEK** will report them.

But, caution: Don't forget these are rumors:

- Frank Graham will be head of the next War Labor Board. He was a public member of the old NWLB, was defeated for reelection as senator from North Carolina, and is a man who has Truman's affection and respect.

- Walter Reuther will be U. S. senator from Michigan. Gov. Menen Williams is rumored to have promised Reuther—whose union's support was important in the governor's bitterly contested election—that when the ailing Sen. Vandenberg retires, the appointment will go to the UAW president.

- Philip Murray's choice for his successor as president of the CIO is Joe Curran, head of the National Maritime Union. His crown prince for the presidency of the steel union is James Thimmes, currently its vice-president.

- Ex-Sen. Thomas of Utah has first refusal on the Secretary-

ship of Labor when Maurice Tobin shifts from that spot to chairmanship of the Democratic National Committee.

- The unions will demand an authoritative voice in paper allocation. They want (1) to found a national daily newspaper within the next few years; and (2) to make some antilabor publications realize that there are dangers in kicking the unions around.

- A strike ban will come as the emergency deepens. It will come in the guise of anti-Communist action.

- A national service act, or its equivalent, will be in force before midyear.

- John L. Lewis will shortly write a new soft-coal contract calling for an 18¢-an-hour wage increase, plus a 5¢-per-ton increase in payments for the miners' welfare fund.

National Policy—By Bargaining

Next week's union-management conference, called by Wage Stabilization Board, will set government's course on labor relations. It will be high-level, give-and-take negotiating.

What can turn out to be the most important collective bargaining session ever held will start next week. It's the meeting of union and management representatives called by the Wage Stabilization Board. What the conferees agree on will become national labor policy for the duration of the emergency—and will have a powerful effect on post-emergency labor relations. What they fail to agree on will have to be determined by government ukase.

- "Effective Procedures"—The Defense Production Act of 1950 calls for "effective procedures for the settlement of labor disputes" and for "effective price and wage stabilization." To achieve these, "the President is author-

ized (1) to initiate voluntary conferences between management, labor, and such persons as the President may designate to represent government and the public, and (2) . . . to take such action as may be agreed upon in any such conference. . . ."

Cyrus Ching, chairman of WSB, has invited to next week's meeting:

For labor—John L. Lewis of the miners; William Green, AFL; Philip Murray, CIO; Al Hayes of the machinists; and George Leighty of the rail unions.

For management—Marion Folsom, the Committee for Economic Development; William Ruffin, the National Assn. of Manufacturers; Otto Seyferth, the U. S. Chamber of Commerce; and

Herschel Atkinson of the Council of State Chambers of Commerce.

- **Policymakers**—While the invitation from Ching referred to the meeting as an "informal conference," it's a safe bet that whatever is agreed on will become official government policy.

The thing that makes the conference of surpassing importance is the opportunity it has to make decisions over a wide range of problems. The labor-management conferences that resulted in the creation of war labor boards in both World War I and World War II tackled no substantive matters. They were confined to establishing the procedure for settling disputes—tripartite boards. They left the issues themselves to be decided by the boards.

- **High-Level Bargaining**—In contrast, next week's meeting will in large part concern itself with substantive matters. Seven questions are already on the agenda. More will be added. Organized labor and organized business will be engaged in high-level bargaining. Here are the seven matters on the docket:

- The problem of inequities—No matter when stabilization starts, particular groups of employers and wage earners will claim to have fallen behind other groups in the wage race. What fair and workable policy can be devised to meet these problems?

- Cost-of-living adjustments — What provision should be made for all groups to meet the problem of changes in the cost of living? Should "escalator" clauses be approved—and with what, if any, limitation?

- Contractual provisions for specific future increases—Many agreements provide for wage reopenings. Others provide for specific hikes to take effect at future dates. To what extent, and by what standards, should such arrangements be approved?

- Industry vs. area stabilization—Wage rates are established on both an industry and on an area basis. Particularly in times of serious manpower shortages, wage movements in an industry may have unstabilizing effects on area wage relationships. Likewise, wage movements in an area may have unstabilizing effects on industry wage relationships. How shall a wage policy define and deal with this problem?

- Wage adjustments within a plant —What fair and workable policies can be devised to relate plant wage practices to the stabilization program?

- Substandard rates of pay—Should increases be permitted to correct substandards of living?

- Other economic benefits—What standards should govern decisions on such important matters as bonus, health, welfare, and pension plans? To what extent, if at all, should the effect of such plans on the mobility of the labor force be taken into account?

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Tobacco z.....	.75	
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Heavy outerwear branch.....	.85	=G
Wool trousers branch.....	.75	=G
Vitreous or vitrified china z.....	.75	
Wool carpet and rug.....	.75	
Woolen and worsted.....	1.05	=H

x — Industries in which formal hearings have been held with the view toward raising the minimum.

z — Industries in which panel discussions have been held with industry and labor representatives prior to a formal hearing. Hearing scheduled Jan. 9 for drugs, medicine and toilet preparation's industry.

A = 75¢ for apprentices.

B = 95¢ in 10 southeastern states.

C = By areas. \$1.04, \$1.14½, and \$1.18½ for auxiliary workers and apprentices.

D = 75¢ for auxiliary workers; 67½¢ for learners.

E = 78½¢ for learners.

F = 80¢ for learners.

G = 75¢ for auxiliary workers; 60¢ and 65¢ for learners.

H = 90¢ for learners.

Defense Work

Federal 75¢ minimum won't apply on government contracts. So if you are taking on a federal job, check Walsh-Healey rules.

If you're figuring a bid for a government contract, take a long look at your wage rates. Because your labor costs may shoot up when you switch from private to government contracts. The law sets different, and generally higher, minimum wage rates for work done for the government.

Private contracts fall under the Fair Labor Standards (Wage-Hour) Act, under which employers may pay as low as 75¢ an hour. But if you get a government contract for \$10,000 or more, you'll come under the controversial Walsh-Healey Public Contracts Act of 1935. And that means that minimums may run to \$1.25 or even \$1.40.

Lots of employers are going to face the problem, for government policy is to spread work around in as many small contracts as possible (BW—Dec. 23 '50, p15).

• **Prevailing Wage**—The Walsh-Healey act says that an employer doing government work must pay not less than the "prevailing minimum wages for persons employed on similar work or in the particular or similar industries or groups of industries currently operating in the locality." And the law gives the Secretary of Labor the power to determine the prevailing rate for each industry. He also decides what industries come under the act.

Right there is where the controversy comes into the Walsh-Healey act: Industry says the Secretary of Labor is given too much unchecked power. It says the rates he fixes are "unrepresentative," and it doesn't like the way he arrives at them. What's more, it objects to the finality of his decisions.

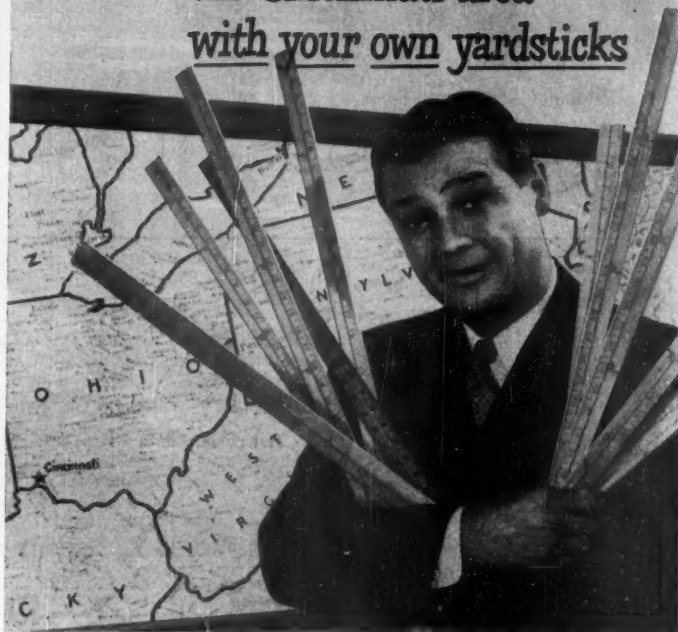
Where Rates Now Stand

Wage floors under the Walsh-Healey act are now in effect in 42 industries. Nine of them, raised since the end of World War II, are above the wage-hour law's 75¢ hourly minimum. The other 33 still have a 75¢ wage floor, but probably not for long. Secretary of Labor Tobin is taking steps to raise the minimum rates.

Moreover, he is planning to add to the list of covered industries. Preliminary hearings already have been held in two: office machinery and cereal preparation. Preliminary discussions with industry and labor people have been held in nine other industries: fab-

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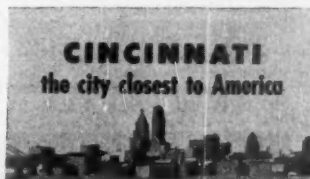
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• **Chemical Rates**—Until last week, the highest minimum set under the law was \$1.23 an hour for iron and steel production in most sections of the country. Then Tobin divided the chemicals and allied products industry into three divisions—and in one of them nearly doubled the existing Walsh-Healey minimum of 75¢ an hour.

He announced that effective on all contracts for which bids are solicited or negotiated after Jan. 23, legal minimums will be:

- In bone black, carbon black, and lamp black sections of the industry: \$1.40 an hour.

- In the industrial and refined basic-chemical products section: \$1.15, except for a 95¢ hourly rate in plants in 10 southeastern states.

- In the cleaning and polishing products, insecticides, fungicides, and miscellaneous chemicals section: 85¢.

II. Industry States Its Case

The changes ordered for the chemical industry illustrate industry's complaint against the Walsh-Healey act. True, they were made after preliminary discussions with industry and labor, and then open hearings at which opposition could be aired. But in the last analysis the changes were based on one man's judgment.

After making the decision, Secretary Tobin asked for comment from three experts who have represented employers at Walsh-Healey hearings. The men were Gerard D. Reilly and Reuben S. Haslam, Washington attorneys, and Dr. Rudolf Modley, president of Executive Research, Inc., New York. Their findings, which appear in the January issue of the Harvard Business Review, summarize industry's objections to Walsh-Healey procedure.

- **Details**—Here are some of the points to which the trio objected:

- (1) Tobin's acceptance of the minimum wage rate in union contracts as the "prevailing minimum" for some heavily organized industries.

- (2) His policy of setting industry-wide minimums in most cases, rather than giving consideration to differences in local wages or wages paid for "similar work" in other industries.

- (3) His reliance on national and regional averages of straight-time earnings, computed by the Bureau of Labor Statistics, in setting minimum rates. The writers complain that the BLS minimum average includes earnings of many workers who get more than minimum rates: some semiskilled workers, many unskilled workers who earn more

than the minimum due to merit or seniority, and some incentive workers. So the writers say that basing a minimum on BLS averages "tends to make the 'prevailing minimum' set by the secretary higher than the minimum actually paid by the industry." They urge Tobin to rely on the "actual minimum wages" paid in the various plants in an industry.

- (4) Tobin's use of the "first significant cluster" in hourly earnings tables as the basis for determining minimum rates. The secretary usually ignores, they say, the small percentages of workers getting bottom rates; he chooses the "first significant concentration of workers" in deciding where wages should be based.

- **"Insignificant"**—For example, in setting a 95¢ minimum for soap-makers in February, Tobin explained that he was passing over an insignificant group of workers (less than 1%) earning 85¢ to 90¢ an hour; he was setting the "prevailing minimum" at a higher rate than that because "the first significant concentration" of workers (3.2%) could be found in the 90¢ to 95¢ earnings bracket in the industry.

III. Minimums Affect All Pay

Walsh-Healey minimums frequently have an impact reaching beyond an employer's base rate. Sometimes employers have to raise wages all along the line to maintain established differentials.

Higher minimums set by Tobin since the war affected from 1% to 11% of all the workers in the various industries that were covered, according to Reilly, Haslam, and Modley. Many employers and their work forces weren't affected at all, because their rates were already equal to those set. Many others paying wages not ordinarily considered substandard had to boost rates, though—sometimes just the minimum, sometimes the whole structure.

- **Consequences**—Specifically, the writers point out:

- In iron and steel, the higher minimums set in August, 1949, forced 124 employers to raise pay or drop government business. Small plants were hardest hit. More than 100 of the 124 plants employed less than 1,000 persons. Only two employed more than 4,000. Many small manufacturers depend on their long-established wage differentials to keep them in business.

- In the soap industry, 42 out of 120 plants had to hike wages of more than 25% of their employees. In 20 plants, more than half the workers were affected; these plants were very small, averaging only 21 workers.

- In aircraft, more than 10% of the workers in 33 of 139 aircraft plants were getting less than the "prevailing



Why the sea is salty

IN Norse mythology, a poor man got a magic mill from the elves. With it he could grind whatever he wanted--food, clothing, furniture, and best of all, gold. Of course, the poor peasant's lot changed from poverty to riches.

An envious brother borrowed the mill. He commanded it to "grind herrings and broth and grind them good and fast." But having taken the mill in such haste, he didn't know the magic words to shut it off. He was almost drowned in broth when the brother came to the rescue.

Finally, the magic mill was stolen by a salt dealer, who put it on his ship. Safely at sea, the skipper demanded, "Grind salt and grind it good and fast." Alas, he hadn't learned the control words either. The mill ground salt endlessly, filling all his kegs

and his hold, covering the decks and at last sinking the ship. There at the bottom of the sea, so people say, the magic mill still grinds--and that's why the sea is salty.

From time immemorial, men have dreamed about magic mills and schemes to bring abundance and riches. Here in America, today, there are plans that are flooding us with superabundance of certain commodities. But what about the magic words to shut off the mill?

Isn't it time we see the truth in this ancient Norse myth, that "too much" is just as foolish as "too little?" We may well remember this first law of economics: In a free market, supply can adjust itself to demand--whether it be potatoes or steel--without sinking the ship. Here is a must job for all thinking Americans.



The Youngstown Sheet and Tube Company

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minimum" of \$1.05 set by Tobin last July. The 11 plants hit the hardest averaged 134 workers; 50 not affected at all employed an average of 1,300.

On the basis of past records, the writers argue, Tobin's present system of determinations tends to exclude small businesses from government contracts, or weaken their competitive position by increasing labor costs.

IV. Confounding the Confusion

Reilly, Haslam, and Modley also complain:

• Employers engaging only partly in defense or other government work run into trouble if workers on non-

government jobs are paid less. A more ticklish problem arises when the same person works on both government and private production.

• Higher wages forced under the Walsh-Healey act aren't subject to existing wage controls. The Defense Production Act requires that wage stabilization be consistent with existing federal laws.

• Under defense laws, a company can be forced to take a government contract—so you may have to get in line with the Walsh-Healey minimum in your industry, even though you're now determined to stay out of government work so as not to upset your wage schedules.

If You Open Your Contract, Look Out

Two major unions at Allis-Chalmers reject company's proffered 10¢ boost over contract terms. Leaders claim it's not enough.

Many employers today want to adjust pay to current living costs before a wage freeze complicates the issue. But a voluntary adjustment offer, when the union contract isn't open on wages, may stir a hornets' nest of counter-demands.

• **Allis-Chalmers**—Take the case of Allis-Chalmers Mfg. Co. The company offered its 31,000 employees a 10¢-an-hour wage adjustment two weeks ago. Its president, Walter Geist, told them that "changes in our national economy" prompted the company to make the \$64-million offer even though the contract was closed on wages.

A-C's offer backfired. Two of three major unions in its plants flatly rejected it. They countered with a demand for at least 4¢ an hour more than A-C proposed. The third major union, the United Electrical Workers (ex-CIO), accepted the offer. So did 11 other unions.

Allis-Chalmers has General Motors-type contracts with the United Auto Workers and the International Union of Electrical Workers (both CIO). These agreements were negotiated early in 1950. They run for five years, but have a July, 1952, reopening on wages.

The current agreements provide for a 3¢ annual "improvement factor" raise, payable each July 1. They also provide for semiannual cost-of-living pay adjustments with a July 15, 1950, base (172.5) and a 1¢-for-1.14 points ratio for wage revisions. The semiannual adjustments come in January and July.

• **The Offer**—Allis-Chalmers offered to increase the annual raise to 4¢ an hour, and to make it effective as of Dec. 11, instead of next July 1. It also offered to change the base of c-o-f-l adjustments to May 15, 1950, when the Bureau of Labor Statistics' index stood at a pre-

Korea 168.6. And it offered an additional 1¢-an-hour hike in straight hourly rates.

Allis-Chalmers figured the package to be worth 10¢ an hour. It asked for two concessions in return: (1) an agreement to make future c-o-f-l revisions on a 1¢-for-1.25 points basis; and (2) an agreement to forgo a July, 1952, reopening, thereby keeping the contracts closed until mid-1955.

• **Leaders Balk**—The offer of 10¢ an hour more in ready cash caused a stir of interest among A-C employees. But the interest lagged quickly for some 17,000 members of UAW and IUE. Officers of the two unions, anxious to keep the wage initiative, persuaded their members to vote against accepting the offer.

Here's the reason they gave members: A-C workers have a 6¢ raise coming to them anyway—a 3¢ c-o-f-l adjustment due this month (it turned out to be 2¢) and a 3¢ "improvement factor" raise in July. The difference between that and A-C's offered 10¢ isn't a high enough price, they argued, for forgoing the 1952 wage reopening, and changing the ratio for c-o-f-l revisions from 1¢-for-1.14 points to 1¢-for-1.25 points. They said the 1¢ straight wage boost should be at least 5¢ an hour.

• **Two Scales**—A-C put the voluntary adjustment in effect for some 15,000 members of unions which accepted it. Terms of the present negotiated contracts are still in force for the others. That makes A-C operate under two different wage structures.

Meanwhile, UAW and IUE are undertaking prebargaining campaigns to whip up members' resentment against an "inadequate" offer. Object: increasing pressure for a higher "voluntary" adjustment than the 10¢ package proposed by the company.

Illegal Boycotts

Supreme Court to review four cases hinging on definition of what constitutes secondary activities banned by Taft-Hartley.

The Taft-Hartley act bans secondary boycotts. But since 1947, there's been a lot of argument about just what a secondary boycott actually is. An answer may come early this year from the Supreme Court.

The court has agreed to review a group of four cases touching on secondary boycotts. Three are in the construction industry (the prime target of this particular clause of the law). The fourth involves the AFL teamsters.

• **Lower Courts**—In these cases, the lower courts split in interpreting what constitutes an illegal secondary boycott. Hence, two of the cases before the Supreme Court are appeals by unions, two by the government.

Unions asked the high court to review decisions:

• Forbidding the AFL carpenters to continue a 1947 strike on a house near Chattanooga, Tenn. Carpenters walked off the job because a nonunion concern, Ira A. Watson Co., installed the floor coverings.

• Ordering AFL electrical workers to stop picketing houses being erected by Giorgio Construction Co., at Greenwich, Conn. An electrical subcontractor, Samuel Langer, of Port Chester, N. Y., was using nonunion labor on the job.

The government appealed lower court decisions refusing to enforce anti-picketing orders of the National Labor Relations Board against:

• Denver Building Trades Council and two affiliated unions in April, 1949. The unions picketed a building under construction by a general contractor, Doose & Lintner, because an electrical subcontractor, Gould & Preisner, was nonunion.

• A local of the AFL teamsters involved in a dispute with Louisiana rice mills in 1947. Pickets tried to prevent a truck from entering Kaplan Rice Mills for a load of rice, although there was no strike against this particular employer.

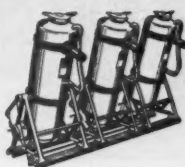
The Pictures—Cover by Charles Rotkin. Rus Arnold—24, 78, 80, 81; Black Star—113; Int. News—26 (rt.), 102; Bob Isear—19, 22 (top ctr.), 23, 63 (bot. lt.); McGraw-Hill World News—116, 117; Ezra Stoller—22 (bot.); Wide World—21, 25, 26 (lt., ctr.), 28 (rt.), 38, 39; Dick Wolters—63 (top ctr.).

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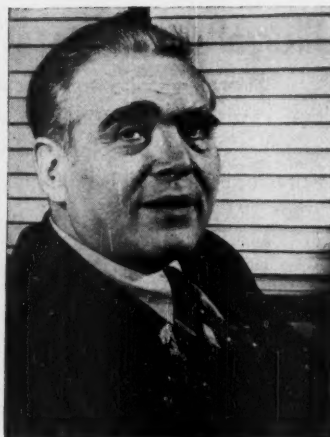
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UNION SPOKESMAN Hochman agreed to New York dress shops' unusual appeal:

Please Organize!

Dress manufacturers trade \$15-million pay hike for ILGWU pledge of drive to line up non-union companies in the industry.

Management in the dressmaking industry came up with something new in contract demands recently—and won its point. What it got was a union pledge to put on an intensified drive to organize the nonunion companies in the industry. Management negotiators wanted the pledge badly enough to pay for it by granting a \$15-million-a-year raise (about 8½%) to 85,000 New York dressmakers.

The management outfit in the deal was the Popular-Priced-Dress Manufacturers Group—made up of three dress manufacturing associations and two contractor associations, representing 1,000 shops altogether. The union was the International Ladies Garment Workers Union (AFL).

• **Competition**—Signing of the contract vividly illustrates the concern of union employers over low-cost competition from nonunion firms in partially organized industries.

ILGWU asked for a raise for New York dressmakers two months ago, citing the rise in living costs since Korea. Manufacturing negotiators replied that the dress industry is facing a "bleak situation." Louis Rubin, their executive chairman, complained that manufacturers had been losing money for the last three seasons. He blamed this largely on "unfair competition brought about by nonunion shops... able to operate at considerably lower overhead." No raise would be possible,

Rubin said, while these conditions continued.

However, the manufacturing group offered to raise pay if the union would put on a drive to "stabilize" the \$600-million popular-priced-dress industry in the metropolitan (New York) area. That meant an intensified organizing drive in nonunion shops. Julius Hochman, manager of the union's New York Joint Dress Board, agreed. He assured employers that ILGWU will put "a large number of organizers" into the field in New York.

• **Three-Year Pact**—A three-year "package" labor agreement between dress manufacturers and union followed. It provides an 8½% wage increase, figured on the basis of 1950 take-home pay, and an increase in employer welfare-fund payments from 4½% to 6½% of payroll.

The final agreement, worked out with the help of the industry's impartial chairman, Harry Uviller, continues a record of 17 years of industrial peace in the New York dress industry.

• **ACWA, Too**—Meanwhile, CIO's Amalgamated Clothing Workers of America, mostly in the men's clothing field, also is pressing a drive among non-union firms in its jurisdiction.

ACWA—also at the urging of employers—spent \$350,000 in the past year publicizing its union label (BW—Nov.19'49,p117). It urged consumers to insist on garments carrying the union label and help prevent "return of the sweatshop" in the clothing industry.

Recently, ACWA announced that the union-label drive had been "a tremendous ally" in finally unionizing "four of the largest nonunion holdouts in the men's and boys' clothing industry." It announced new contracts with Palm Beach Co., Merit Clothing Co., Haspel Bros., and A. Sagner & Sons.

ACWA's first contracts with the four firms provided a 13% wage hike at Palm Beach mills, 12½% at the other mills.

• **Wide Effect**—The higher labor cost of the new contracts in the dress and men's and boys' clothing industries—piled up on top of increased materials costs—will show up in retail prices by next spring.

LA Contractors Yield On Over-Scale Pay

Feuding and fussing over labor pirating on Los Angeles building jobs calmed down in December. The AFL's carpenters union settled with contractors for a new wage scale. Rates, at \$2.35 an hour, are up 15¢ from the prevailing scale of last July, when carpenters "struck" against builders who wouldn't pay over-scale wages.

Contractors also agreed to drop a



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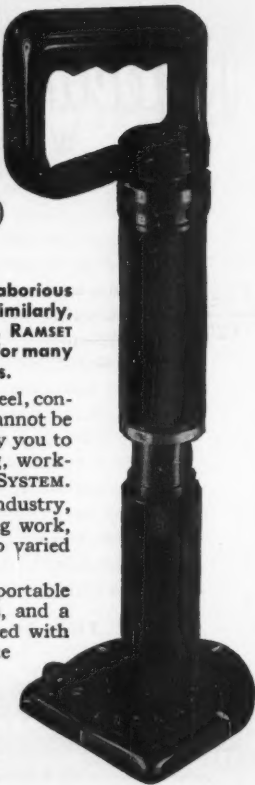
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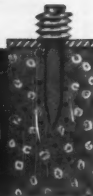
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\$15-million damage suit against the union and a group of tract-housing builders. The court action alleged a conspiracy to break a master labor agreement on wages. It also charged that the union refused to furnish workers for any contractor not willing to pay a "premium" rate of \$2.50 or \$2.75 an hour.

The new \$2.35 scale is supposed to apply to all jobs, and to end over-scale hiring. However, some employers are keeping their fingers crossed about the deal. They recall that the union agreed to the \$2.20 rate—then ignored it when rough-and-tumble competition for workers began.

LABOR BRIEFS

A CIO wage demand covering 25,000 Goodyear rubber workers goes to the bargaining table next week. The union got a 12¢ "package" raise in October, says it has to have more now that the c-o-f-l has gone up.

Rail settlement worked out after White House intervention isn't adequate, the locomotive engineers decided. Their negotiators ask Washington for "more favorable" terms.

No-raid pact between AFL and CIO textile unions is "definitely off," says AFL, because CIO asked for an NLRB poll at a Georgia mill under AFL contract. CIO says AFL voided the pact first, by intervening in a CIO strike at American Enka. Probable result: more jurisdictional strife in the South.

A newspaper survey of the attitude toward unions among business and professional men and farmers in Athens, Ga., led to cancellation of an NLRB election at the Athens College Hosiery Mill. AFL's garment workers objected to the survey as "coercive"—since businessmen, who founded the mill to provide jobs for students, said overwhelmingly they objected to unionization.

Coercive tactics were charged to the United Mine Workers in two NLRB decisions last weekend. The board held that UMW violated the Taft-Hartley law by (1) "invasion and seizure" of six nonunion mines during the 1949 coal strike; and (2) "mass invasion" of another nonunion mine to make it conform with UMW's three-day work schedule in 1949. NLRB ordered UMW to "cease and desist."

Child-labor law is explained for employers in a new booklet, "Employment and Age Certificates," available free from BLS, Dept. of Labor, Washington 25.



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Just as the goose quill was outmoded by modern business machines, new sales techniques in the office equipment field have replaced those of a half-century ago.

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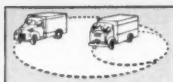
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INTERNATIONAL OUTLOOK

BUSINESS WEEK

JANUARY 6, 1951



Moscow says it is ready for a worldwide diplomatic showdown with one big if—if Communist China is invited to the meetings.

Otherwise, the Russians say, the Big Four must deal exclusively with Germany.

"Propaganda" is the State Dept.'s reaction. But the fact is Moscow has put Western diplomats in a tough situation.

Here's the story: On Nov. 3, Russia suggested Four Power talks on "West German rearmament" and related subjects. On Dec. 22, Britain, France, and the U. S. replied that talks were in order—if all East-West problems were on the agenda. Now the Russians are asking, "You wanted a global get-together; but how can we talk about Asian problems unless China sits in?"

•
The Russian note hits the Western powers on a sore spot—China policy.

The British and French probably would agree to include Peiping in the talks. The U. S. is bound to be against it.

Western differences over China already are deep. In fact, a U. S.-British split may develop in the U. N. soon.

The U. S. is ready to ask for a U. N. resolution condemning Red China as an aggressor. A majority, including Britain, probably will back that. But the U. S. plans to follow with a demand for economic sanctions against China (BW-Dec.30'50,p72). And Britain, among others, may balk at that.

The British still want to avoid a complete break with Peiping. They figure it would (1) seal the doom of Hong Kong; and (2) provoke a Chinese drive on all of Southeast Asia.

•
Stalin can count on differences in Europe, too. Election campaigns are coming up in France and, perhaps, in Western Germany. Rearmament will be the big issue in both countries.

A "Big Four"—or "Big Five"—meeting against this background would be ideal for a Russia move to split the Western alliance. For example, Stalin might offer to disband his East German army if the West agreed not to rearm Bonn. And that would appeal to the French, at least.

•
Paris is greatly encouraged by the Russian reply, deplores Washington's reaction.

French diplomats think the Russians really want to negotiate this time. So they would agree at once to a preliminary conference to work up an agenda.

French officials admit they could be guilty of wishful thinking. But they still insist the U. S. must give the Russians a final chance to put up or shut up.

Some American observers in Paris feel a U. S. refusal to talk with Moscow now would completely shake Western Europe's faith in American leadership.

•
Is Communist China asking for open Russian support in the Korean war? This question has U. S. officials divided.

One group in Washington doubts that either the Russians or the Chinese want to turn the Korean war into a world war. This school regards Mao Tse-tung as a good Stalinist who believes the cause of international communism will be won in Europe—when Stalin thinks the time has come to strike there.

The second group takes this line: Stalinist or not, Mao knows that

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK
JANUARY 6, 1951

Russian air and submarine power could force a costly withdrawal from Korea. That might leave Japan practically defenseless. The U. S. has openly said it will rearm Japan. So Stalinist Mao may think this would be a good "legal" umbrella under which communism could launch its life or death struggle.

New Year blizzards threaten Britain with a repetition of the 1947 fuel crisis—and perhaps a political crisis as well.

If the bad weather keeps on, shortages of coal and power are sure to close down many British plants. (In the winter of 1947, the fuel shortage put 3-million persons out of work.) In that case, Labor probably couldn't hold its slim majority in Parliament.

True, Prime Minister Attlee has called on the miners union for more output. But at this late date, that won't build up depleted coal dumps all over the country.

Weather aside, British industry is bound to be gummed up as heavy defense contracts are piled on a fully stretched economy.

The British economy now is paying for (1) its successful comeback last year, and (2) bad timing by the government.

Already last summer, the big expansion in manufacturing had begun to outrun coal and other basic raw materials supplies. But the Attlee government kept down imports to build up gold reserves.

By the time the government switched signals and tried to boost imports, it ran into worldwide shortages and a shipping jam.

Two shadows, aside from the threat of general war, hang over the British Commonwealth Defense Conference in London this week:

(1) Kashmir. Pakistan's prime minister may not attend because India has refused an open debate on this territorial issue. That heightens the danger of a "holy war" temper growing in Pakistan. And that in turn means that Indian and Pakistan troops—the only Commonwealth forces that might be used to strengthen Southeast Asia—may be tied down.

(2) Nehru's neutrality. The Indian prime minister still wants to try for a deal with the Chinese Communists—despite what's happened in Korea and Tibet. About the most London hopes to do is convince Nehru that he can't possibly stay on the fence if a general war comes.

The Plevin government has pushed its rearmament program through the French National Assembly without much trouble (page 113).

Now Plevin plans an early visit to Washington. He wants the U. S. to:

(1) Give France more military aid in Indo-China.

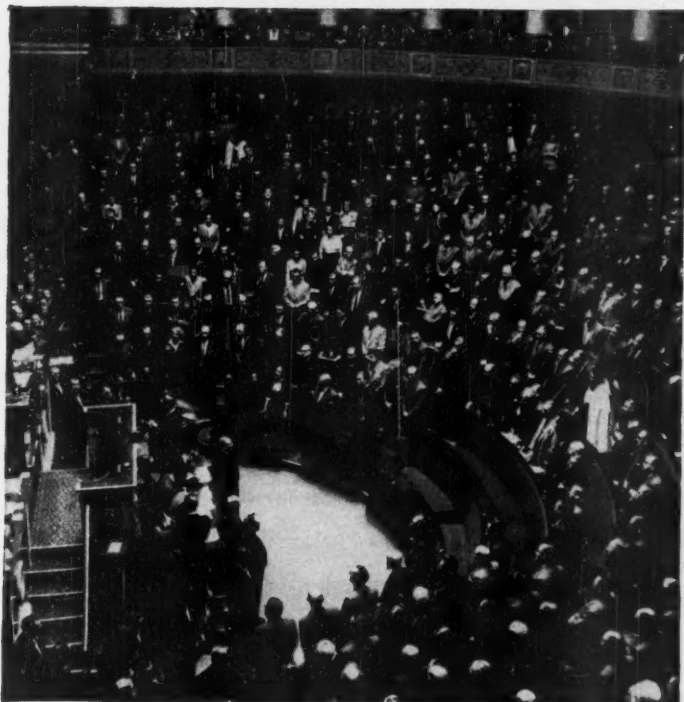
(2) Agree to international allocation and price control of scarce raw materials.

(3) Back France's plan for a separate Continental army within Eisenhower's Atlantic defense forces.

Rising prices continue to plague France. According to official indexes, wholesale prices went up 4.5% in December; food, 3.75%; industrial products, 5%; industrial raw materials, 6.9%.

The Ministry of Finance figures that prices of imported raw materials have risen 30% since Korea. That's costing France about 140-billion francs a year—more than current Marshall Plan aid.

BUSINESS ABROAD



NATIONAL ASSEMBLY holds all power in France. But can it answer the question . . .

Would Rearmed France Fight?

Divided and despondent nation is keystone to defense of Western Europe. U.S. must decide: Should we pour in arms and money on the risky chance that France will cast off its lethargy?

In the next few months the U.S. must decide whether we are going to throw our strength into defense of Western Europe against Russia. Congress has two choices: (1) continue the Truman-Acheson strategy of helping to defend Europe, or (2) adopt Herbert Hoover's advice and let Western Europe (except Britain) go by the board (BW—Dec. 30 '50, p19).

If Congress decides to back the continental nations, France must be the keystone of any defense system. What Congress needs to know is: Can France, with heavy U.S. help, be made sufficiently formidable to justify the cost to us? Hoover and his supporters think not. They point to the way France and the rest of Western Europe have dragged their feet in helping to defend themselves in the past years. But U.S. officials stationed in France disagree.

They think that the possible fruits of massive aid to France are worth the risk, especially now that the Assembly has backed the new armed program.

BUSINESS WEEK's correspondent in Paris has cabled the following report on the outlook for a real defense effort in France.

PARIS—If France gets the arms the U.S. has promised, the chances are it will make good on its rearmament program, though not with any enthusiasm. That means 10 modern French divisions in Europe by the end of 1951, 15 divisions by the end of 1952, and 20 by the end of 1953. And probably the French will have a tactical air force of about 1,500 combat planes by 1953.

• **Indo-China War**—On top of that, France will carry on its war against the Communists in Indo-China. This war involves a manpower commitment

roughly equal to that of the United Nations in Korea, and a financial drain of nearly \$1-billion a year.

Without tremendous U.S. aid—both arms and money—virtually none of this modest French contribution could materialize. With the aid, Gen. Eisenhower might even succeed in wheeling a few more divisions a little faster out of the French.

• **Long Stride**—If they do make the effort, the French will be a long way from total mobilization. But also they'll be a long way from total disarmament. A French army of 20 divisions plus another 20 or 30 allied divisions might be just enough by 1953 to make the Russians hesitate—provided they have waited that long before striking. Some American military experts in Paris think 40 crack divisions, blanketed by overwhelming air and artillery support, could hold Western Europe long enough to allow the mobilization of reserves and the deployment of Western Hemisphere forces.

That's why U.S. officials think its worthwhile gambling on French rearmament.

• **French Reaction**—Predicting French reactions is beset with imponderables. This much is sure: If war came this spring, France would fold up overnight. But given a year to rearm, however modestly, France might put up a fight. Nothing strengthens like strength, and it's possible the French will begin to feel a little braver, and more hopeful, if they see a few tough divisions and modern jet squadrons between Paris and the Elbe.

• **Defeatism**—The strongest of France's leaders, including Defense Minister Jules Moch, think that there is still time to defend Western Europe. They feel, too, that the U.S. will destroy all hope if it gives way to the same sort of defeatism for which Americans reproach France. Even before Hoover's speech, the French had doubts about the U.S. determination to help defend Europe. And these doubts have helped weaken Western Europe's will to defend itself.

The reluctance of the French people to rearm is easy to explain, even if to Americans it seems hard to excuse. Two wars, the depression of the '30's, the German occupation, 40 years of unbroken economic and military decline have sapped the nation economically, politically, and psychologically.

• **Danger Signs**—In terms of industrial output France has crawled back to the prewar level, but the average standard of living still is below prewar; capital still is hiding abroad or under the ground; reconstruction of war damage is less than half finished; the government's capital investment program is lagging badly; the distribution of national income is less favorable to the French worker than prewar; black market op-

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erators by the thousands are standing by ready to open shop at the first sign of shortages; industry still is throttled by cartels.

France is deeply divided politically and probably will remain so after the national election due this spring. Militant communism has split the working class and the intellectuals in half and isolated the kind of liberal leftists who dominate Britain's Labor party. The parties just to the right of center have failed to develop any creative leadership. DeGaulle has far fewer followers on the right than the Communists have on the left. The bitter cleavage left by the German occupation—between collaborators and noncollaborators—still hasn't healed.

The upshot is that since 1945 France has been governed by a series of weak coalitions. This has meant compromises between opposing policies, executed by the least dynamic and creative leaders. The tendency has been to do the easiest thing the easiest way; let the U. S. pay the deficits.

• **Lost Faith**—The widespread postwar defeatism in France is both a cause and a result of this situation. The average non-Communist Frenchman sees no future for himself or his society. He has lost faith in capitalism and is rapidly losing faith in parliamentary democracy. He believes in individual freedom but tends to take it too much for granted for it to be a militant credo.

The force of patriotic nationalism which held France together for centuries seems to be exhausted, at least temporarily. Frenchmen are seeking desperately for some new faith to unite them in the face of the Communist threat. That accounts for the many postwar French schemes for economic and political unity in Europe or at the Atlantic level.

So far none of these schemes have come off and Frenchmen have been left with little that's positive to fight for except perhaps French culture—and French food. What's more, most Frenchmen believe that their culture is as much threatened by American commercialism as by Soviet barbarism.

• **Choice of Evils**—Thus preparing for war seems to a majority of the French people a negative effort—a choice at best of the lesser evil. The door is opened wide to all sorts of fears. Frenchmen are terribly afraid that another world war will bring the total destruction of civilization or, at any rate, of France. Many would choose occupation, with which they are familiar, if they thought they could thus avoid the unknown horrors of atomic warfare.

Frenchmen fear the Russian troops which are only a few hundred miles from Paris, and the Russian terrorism which these troops symbolize. Also they

fear the four or five million Frenchmen who would actively back a Russian regime. But many Frenchmen of all political shades also fear American domination, either military, economic, or cultural. They doubt the stability of U. S. policy.

• **Communists**—These conflicting fears lead to a numb fatalism that makes bold, energetic action difficult. This fatalism, taken together with dogged Communist obstructionism, leaves very little room for political maneuvering. The Pleven regime is very delicately balanced. For example, many French leaders believe that any government attempts to awaken the popular sense of urgency by official preparedness propaganda might panic the country into the arms of the Communists or create a wave of neutralism which would unseat the government.

• **The Gamble**—There are no signs so far of a psychological recovery in France which would fundamentally alter the French attitude. But American officials in Paris and most members of the French government don't think that's reason enough to hand over one of the richest and most productive areas of the world to the Russians. They think the U. S. should take the support that France has promised. After all, it may be impossible anyway to produce arms for more than 20 French divisions in the immediate future. There's the chance, too, that the French may surprise even themselves. They've been on the ropes many times before, then sprung back to power in a surge of national effort. Some modern divisions under arms might rekindle the pride and self-confidence which for so many years made France a mighty military power.

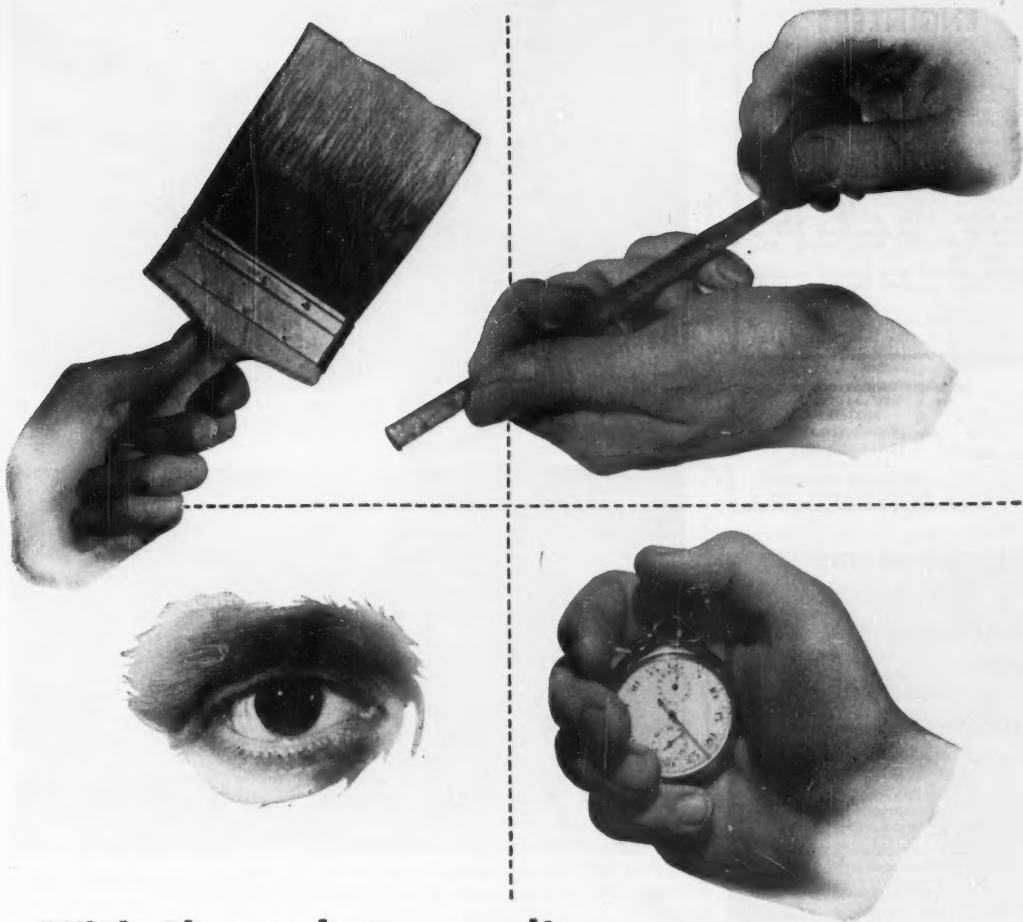
At any rate, U. S. officials in Europe think that's a gamble we must take, if only because many of the political and psychological weaknesses of France are present to a greater or lesser extent in other sectors of Western civilization, including the U. S.

Aramco Gets Hit

If you're worrying about income taxes, save some pity for the Arabian American Oil Co. Last week, Aramco agreed to pay nearly half its net profits to the Arabian government.

It's Aramco's first income tax in Saudi Arabia. According to first reports, the new deal forces Aramco to fork over up to 50% of its net profits—after U. S. taxes are deducted. What's more, the company must continue to pay the present 34¢ per bbl. royalty into King Ibn Saud's coffers.

And the deal is retroactive to January, 1950. Aramco is expected to pay \$35-million in new taxes, on top of a \$65-million royalty bill.



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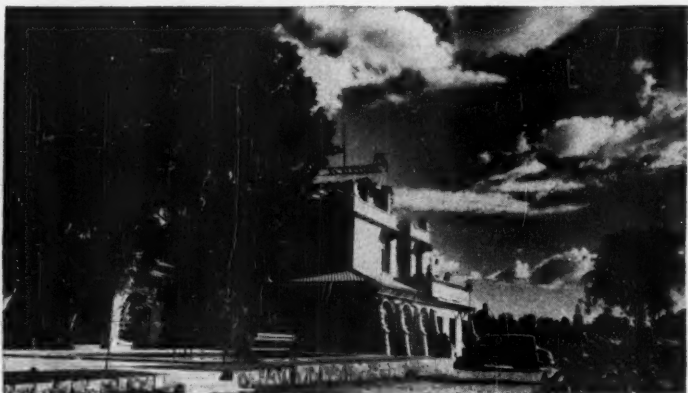
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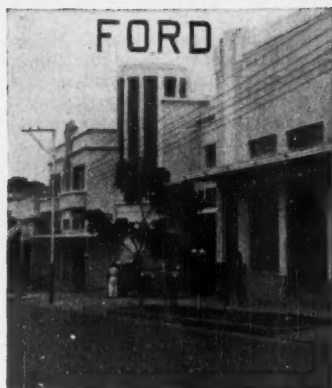


SUPER MOTEL—with swimming pool and all the trimmings—waits along the road at Oaxaca, Mexico. Two Texans put it up, banking on a tourist boom.

Business Blossoms on Pan



CASA CONTENTA is a new roadside rest in Guatemala, a good stopover for the first night out of Mexico. There's good scenery here—but the roads are rugged.



SAN SALVADOR boasts a string of new garages—with parts for every make of car.



CUSTOMS: Central Americans have managed to keep red tape to a minimum.

Am Turnpike

Motels, hotels, filling stations, and garages are sprouting down the whole length of Mexico and Central America. They're there to provide creature comforts for any rugged motorists who decide to take a vacation drive down the Pan American Highway System to Managua, Nicaragua.

Last fall, some 2,500 mi. of the highway system were opened up for tourist travel. Except for one detour by rail—with your auto riding a flat car—you can drive all the way from the U.S. to the border of Costa Rica.

Of course, it will be quite a few years before there's a hotdog stand every two miles along the highway. In Nicaragua and Honduras, for example, it's wise to pack a box lunch in the morning—and it isn't wise to pass up a gas station enroute. And have a good car under you: Parts of the highway are

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rocky and steep, with curves that would break a snake's back.

Here's how BUSINESS WEEK's Mexico City correspondent found the trip:

Mexico: The roads are good—as good as most paved roads in the U.S. And for a long time there have been plenty of facilities for motorists on the U.S.-Mexico City route. It's in southern Mexico that the new boom is on.

A whole chain of gas stations, more than a dozen plush motor courts (page 116) are building in an area that didn't have even a paved road a year ago. Some of the stopping places even have ballrooms, swimming pools, and tennis.

The only break in the U.S.-Costa Rica route comes at the Guatemala border. Since the Guatemala road doesn't hitch up with Mexico's, drivers have to pickaback cars on a railroad for 57 mi.

Guatemala: The first 160 mi. are just about the worst stretch on the highway. But they're navigable in all weather—if you don't mind bumps and curves. Several new motels and the scenery around Lake Atitlan make the drive worthwhile. Once you get within 40 mi. of the capital, Guatemala City, the roads are paved.

Guatemalans are excited about the prospects of the highway linking them with the U.S. They say that if they get U.S. help during 1951, the bad stretches from Mexico can be put in top shape in a year's time.

El Salvador: Driving is a real treat, with a black-top highway from border to border. Thanks to coffee, the Salvadorians are the best-heeled nation in Central America.

The capital, San Salvador, has a collection of garages (page 117) that would rival any U.S. city. A new \$3-million, air-conditioned hotel is under construction, too.

Honduras: U.S. Army engineers put most of the road into good shape during the war. It's gravel, but you can make good time. It takes only three or four hours to cross the narrow neck of the country that extends toward the Pacific. But if you want to hit the capital, Tegucigalpa, you have to travel on a side road that's in bad shape.

Even Honduras has managed to spot three gas stations along its stretch of the road. Since it covers only 120 mi., you can get along well on one tank of gas.

Nicaragua: The first 90 mi. of the road are dirt and gravel—but passable. After that, on the last 80 mi. to Managua, there's good black-top pavement. There aren't any filling stations and snack stops until you get to Managua. But there garages are blossoming out—and there's a good hotel with patio and swimming pool.

Managua is just about the end of the

highway now. You can drive another 100 mi. to the Costa Rica border—but then a jeep trail takes over, navigable only in dry weather. And from Costa Rica into Panama there's nothing but jungle. That stretch promises to be one of the toughest highway jobs ever.

• **Things to Come**—There aren't any good estimates on how much traffic is moving along the highway below Mexico City. Some segments in Mexico, though, have carried as many as 2,500 vehicles daily, 80% of them trucks. That large percentage of trucks probably holds in the other countries, too. As for junketing Americans—the AAA in New York reports no more than one request a month for highway information south of Mexico City.

But Central Americans figure that today's activity along the highway is just a hint of what's coming—provided the U. S. Congress loosens its purse strings. Mexico and El Salvador are the only countries able to finance their share of the road work.

The highway is one of the State Dept.'s pet projects, for economic, defense, and goodwill reasons. Already, some \$48-million in U. S. loans have been granted for work on the road. Last year State asked for \$64-million over an eight-year period to push the highway through to the Panama Canal. But economy-minded congressmen chopped the request down to \$4-million a year for two years.

BUSINESS ABROAD BRIEFS

Last week's loans: Israel got \$35-million from the Export-Import Bank to buy U. S. equipment and services for farm improvement. . . . Colombia is down for \$2.6-million from the World Bank to finish up a hydro-electric project.

• **A \$5-million hotel in Istanbul**—to be finished in late 1952—will be Hilton Hotels' second venture in Europe. Last fall, the company signed up to operate a hotel going up in Rome.

• **Blaw-Knox Co.** has a \$1-million order from Japan for rolling mill machinery and technical services. The company will help Nichia Steel Works, Ltd., Kobe, put up a modern continuous strip mill.

• **Bring your own:** Several Dutch metal-working concerns have told customers they won't accept new orders unless the customers send raw materials, too.

• **Two more television stations** are on the way in Brazil. The government has just O.K.'d a transmitter in Sao Paulo (the city's second) and one in Recife. That makes four TV stations in all for Brazil.

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Shall We Give Europe to Stalin?

This country is now in the midst of a great foreign policy debate: How should we move now to deal with the threat of world communism?

Since the end of World War II our policy, though sometimes wobbly and often riddled with confusion and bad leadership, has generally sought to resist the spread of the Red power across free and friendly lands.

Back in 1947, we acted to prevent Greece and Turkey from falling under the Soviet heel. In 1948, we launched the Marshall Plan to get Europe on its feet and strong enough to repel the "internal aggression" of communism. In 1949, we took the leadership in forming the North Atlantic Treaty Organization to build the defense of the western world. In 1950, we changed our policy of "wait until the dust settles" and led the U. N. to take a stand in Korea.

Some Americans have always doubted the wisdom of this national policy of seeking to dam the Red flood abroad. Two things have now brought it into serious question: (1) the grim march of events in Korea, and (2) growing disappointment over the progress made in rallying Europe to its own defense. Ex-President Herbert Hoover has advised the American people to abandon their efforts to resist the Kremlin abroad. His conclusion: Retreat to the Western Hemisphere and prepare here a fortress against communism.

What Retreatism Means

The Hoover position has evoked much favorable response, and some active criticism from both Republicans and Democrats. Reasons for support are varied. Some Americans are reacting against a policy associated with President Truman and Secretary Acheson; some shortsightedly hope the Hoover plan will be cheaper in taxes somehow; some devoutly hope it will be cheaper in terms of American lives—and equally successful; some are attracted by the seeming hard-headedness of the proposal; many embrace it out of an understandable sense of frustration and pique with our allies who seem to have done so little to help themselves.

However justifiable such grounds for action may seem, it is a tragic thing to have our foreign policy—in these times a matter of life and death for us and our friends—determined by such motives.

But there remains the solid part of Hoover's appeal—that Europe probably can't be held anyway, and that we shouldn't risk another Korea by spreading thin abroad the forces we need at home for the defense of the Western Hemisphere.

In every such counsel there is reasonableness. But in our opinion, it would be fatal to follow it and give the Communists control over the remaining free areas outside this hemisphere, with no opposition on the part of the only power in a position to deter them.

We react strongly against this doctrine of retreatism. It amounts to giving up without a fight. All is by no means lost. There is still some time. And the main thing

that gives us time is the presence of our own forces in Europe. Winston Churchill said that only the presence of American power has kept the Russian armies from inundating Europe. As long as we are there, Stalin knows that an aggressive move means war—against us. A war for Europe means a ruined prize, even if he gains it; it means fearful retaliation against his country, and the ultimate fall of his regime.

Does it then make sense to turn Europe over to Stalin as a gift? Consider what he would gain if he were to take Europe intact: 270 million of the world's ablest people; the greatest combination of industrial plant and resources outside the United States; a steel industry with a 55-million ton capacity—double that of the Soviet Union and half our own; the technology and skilled workers Stalin so badly needs to equip his vast manpower.

Surely we cannot for our own sake let such a prize fall into Stalin's hands by default.

Yet that is what will happen, and without Stalin's having to fire a shot, if we turn our backs on Europe. The Europeans remain our last potential allies that can be effective. To be sure, they have shown something less than vigor in laying plans for their own defense. Two tremendous wars in a generation have taken a toll of them that we can never understand. If we leave them now they will certainly lose hope. The Communist movement will then surely become their "wave of the future." One by one they will be taken over as Czechoslovakia was taken over—an inside job. We would find ourselves in the position the retreatists long for—alone in a hostile world.

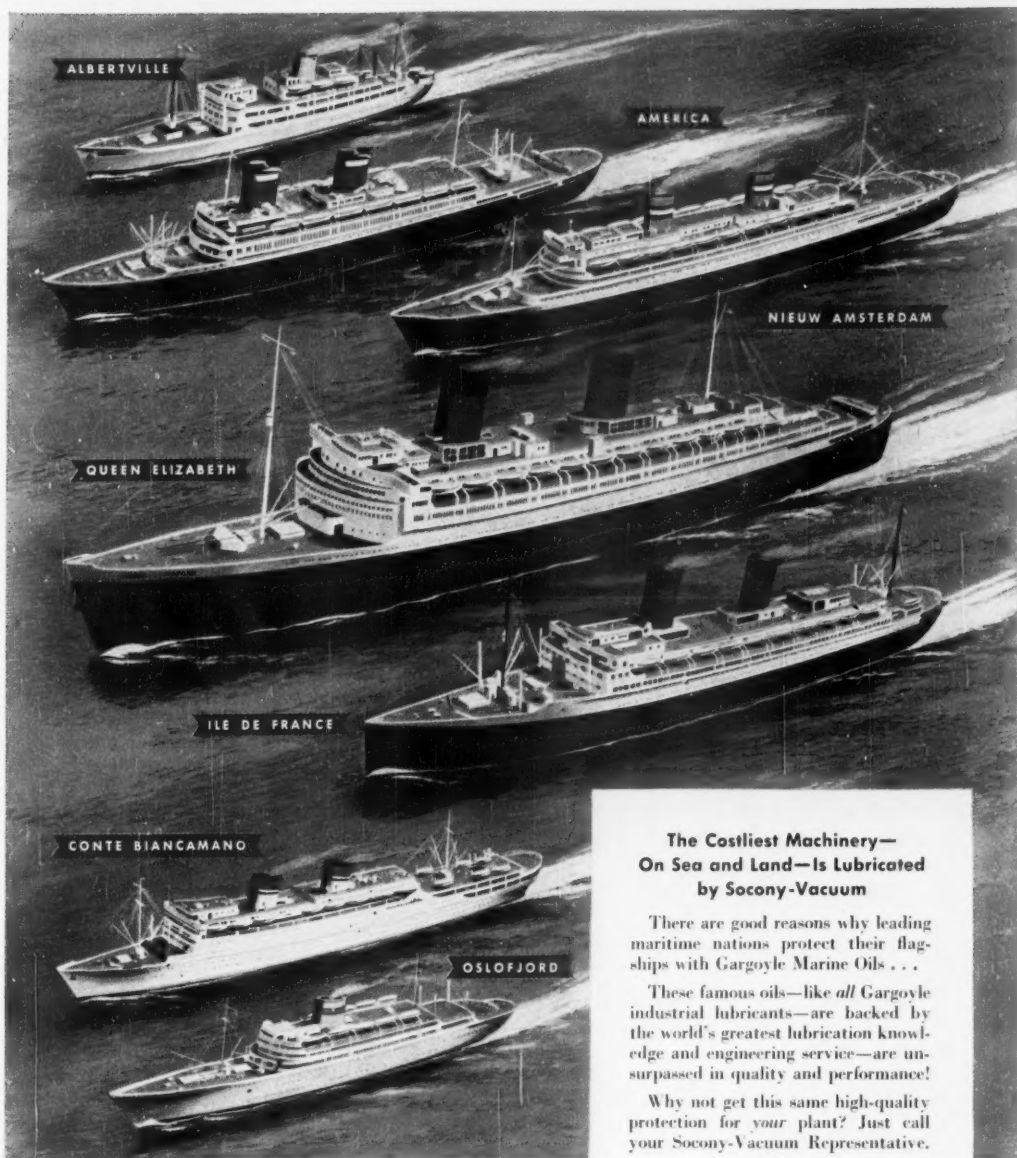
To be alone in a hostile world would mean giving up many things that make America the land it is. It would mean becoming a siege state—something we have never known. For a long time our casualties would be high in terms of lower living standards, shrunken civil liberties, militarization of our whole national life. And, finally, it would mean a war for survival—a war which we would fight alone, and against heavy odds.

There Are Alternatives

It is incredible that we should choose this blueprint for disaster. Such a course is alien to the spirit of this nation. It would shrivel our national soul. We can be hard-headed in this crisis without withdrawing into our cave and rolling the stone across the entrance.

There is, we think, more hope in the bolder course of mobilization advocated by Gov. Dewey. We are impressed, too, by the voice of military experience and authority—Gen. Eisenhower has accepted the unanimous call of the North Atlantic Treaty Organization at Brussels to rally the defense of the West. His judgment is a good one to rely on in this critical time. His acceptance means there is a real chance to succeed. As he goes forth on his great mission, he deserves the support of a united nation.

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How taxpayers save money by the barrel

To help keep the peace by keeping America strong, the Army has developed a sensational infantry weapon—a 75 mm. gun that does not recoil. Only a light tripod is required for mounting. And the gun weighs so little it can be carried by two men!

To reduce weight, the barrel of this gun had to be extremely thin-walled. Yet it had to stand up under explosive pressures and stay straight and true after repeated firings.

One manufacturer had an idea that costs could be cut by making the gun barrels out of seamless tubing instead of the usual expensive forgings. With no hole to bore and

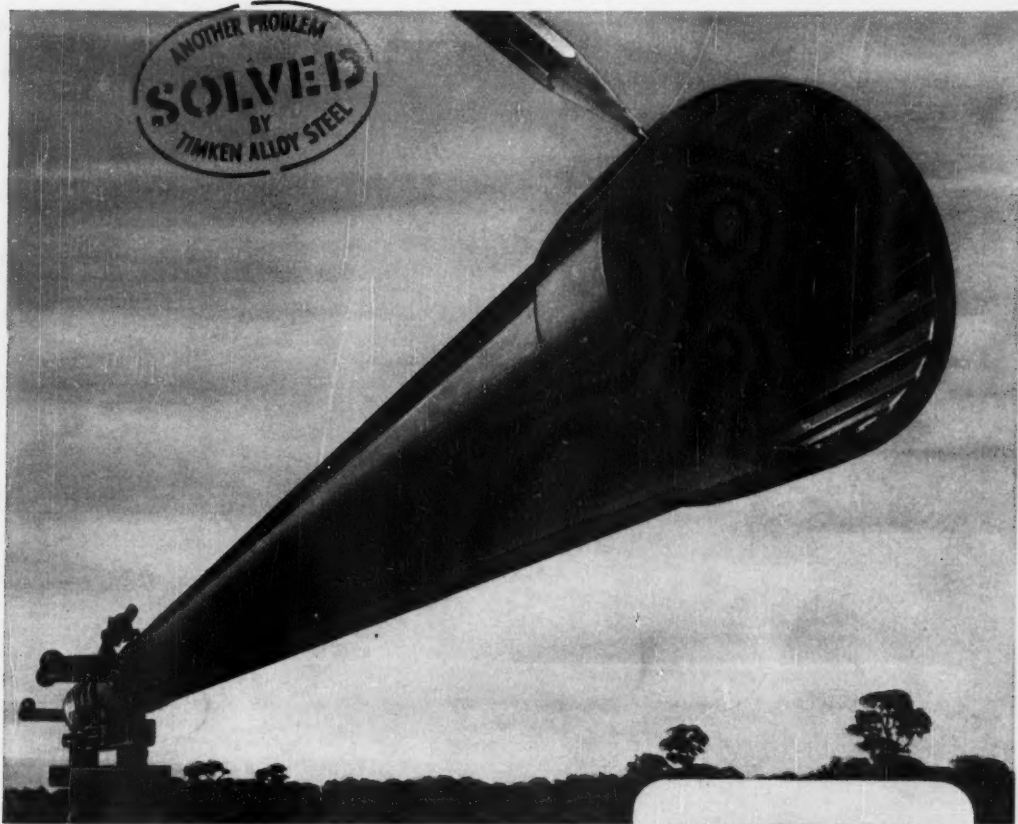
less machining required, time and labor would be saved. He took the problem to metallurgists of The Timken Roller Bearing Company—handed them the rigid Army specifications and asked them to produce a tubing that would fill the bill.

Drawing from its long experience in producing high quality alloy seamless tubing, Timken recommended a special analysis steel for the job. Processed into thin-walled tubing, it had tremendous resistance to bursting pressures. And by applying special heat-treating techniques, Timken was able to guard against distortion, assure maximum

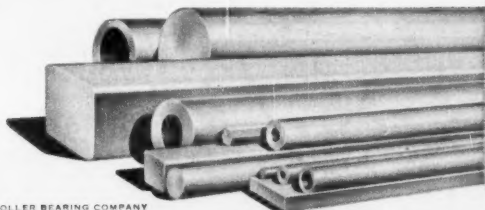
straightness, and produce barrels that fired accurately, shell after shell.

Tested by the Army, the guns passed with flying colors. And thanks to the economy of using Timken seamless tubing taxpayers saved money by the barrel!

Here is another problem that can now be stamped: "Solved — by Timken Alloy Steel". Why not let us tackle your steel problems, too? The Timken Roller Bearing Company, Steel and Tube Division, Canton 6, Ohio. Cable address: "TIMROSCO". Tapered Roller Bearings, Alloy Steels and Seamless Tubing, Removable Rock Bits.



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